CANADIAN PACIFIC LIMITED/ANNUAL REPORT 1980

1981 Annual General Meeting

The Annual General Meeting of the Shareholders is to be held on Wednesday, May 6th, 1981, at Odeon Cinema, Place du Canada, Montreal (entrance via Le Château Champlain), at eleven a.m. (Daylight Saving Time, if operative).

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au vice-président et secrétaire, Canadien Pacifique Limitée, C.P. 6042, succursale A, Montréal, Canada H3C 3E4

Legal deposit, 1st quarter (1981)

Board of Directors

*†W. J. Bennett, O.B.E., *Consultant,* Iron Ore Company of Canada, Montreal.

*F. S. Burbidge, *President,* Canadian Pacific Limited, Montreal.

Allan Findlay, Q.C., *Partner,* Law firm of Tilley, Carson & Findlay, Toronto.

G. Arnold Hart, M.B.E., *Director and Former Chairman of the Board and Chief Executive Officer,* Bank of Montreal, Montreal.

Allard Jiskoot, *Chairman of the Board of Managing Directors,* Pierson, Heldring & Pierson N.V., Amsterdam, The Netherlands.

H. J. Lang, *Chairman of the Board,* Canron Inc., Toronto.

Donald C. Matthews, *President and General Manager,* Highland Stock Farms Ltd., Calgary.

*W. Earle McLaughlin, *Director and Former Chairman of the Board,* The Royal Bank of Canada, Montreal.

Stanley A. Milner, *President and Chief Executive Officer,* Chieftain Development Co. Ltd., Edmonton.

J. H. Moore, *Chairman of the Executive Committee of the Board of Directors,* London Life Insurance Company, London, Ontario.

*Paul L. Paré, *Chairman and Chief Executive Officer,* Imasco Limited, Montreal.

The Rt. Hon. Lord Polwarth, T.D., D.L., *Director,* Bank of Scotland, Edinburgh, Scotland.

*†Claude Pratte, Q.C., *Partner,* Law firm of Letourneau & Stein, Quebec.

Lucien G. Rolland, *President and Chief Executive Officer,* Rolland inc., Montreal.

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F. H. Sherman, *President and Chief Executive Officer,* Dofasco Inc., Hamilton.

*Ian D. Sinclair, *Chairman and Chief Executive Officer,* Canadian Pacific Limited, Montreal.

The Hon. John N. Turner, P.C., Q.C., *Partner,* Law firm of McMillan, Binch, Toronto.

†Kenneth A. White, *Chairman, President and Chief Executive Officer,* Royal Trustco Limited, Toronto.

*Ray D. Wolfe, *Chairman of the Board and President,* The Oshawa Group Limited, Toronto.

Directorate

Mr. David Kinnear retired as a director of the Company at the Annual General Meeting of the Shareholders held on May 7, 1980. The directors desire to record their appreciation of Mr. Kinnear's contribution to the affairs of the Company. At that meeting, Mr. Stanley A. Milner was elected as a director to replace Mr. Kinnear.

Officers

Ian D. Sinclair, *Chairman and Chief Executive Officer,* Montreal.

F. S. Burbidge, *President,* Montreal.

Corporate Services

J. C. Ames, *Vice-President and Secretary,* Montreal.

J. P. T. Clough, *Vice-President Finance and Accounting,* Montreal.

Donald S. Maxwell, Q.C., *Vice-President Law and General Counsel,* Montreal.

J. A. McDonald, *Vice-President Corporate Development,* Montreal.

R. T. Riley, *Vice-President Administration,* Montreal.

J. F. Hankinson, *Comptroller,* Montreal.

D. E. Sloan, *Treasurer,* Toronto.

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*Member of the Executive Committee
†Member of the Audit Committee

To the Shareholders

On February 16, 1981, the Company marked the hundredth anniversary of its incorporation. There are not many Canadian companies that have passed the century mark and Canadian Pacific is proud to have joined a very select circle. Like Canada itself, the Company has experienced both good times and bad over the past 100 years, and has survived both. Also like the country, the Company has grown and prospered beyond the imaginings of its founders.

In one thing above all others the Company has been especially fortunate. That is in its people. Their vision, their skills, their dedication made the difference between mere survival and dynamic growth. This relationship has been reciprocally rewarding. For tens of thousands of employees throughout the Company's 100-year life span, working for Canadian Pacific has been not only a good livelihood, but also a highly satisfying experience in the use of energy and talent. The new generation is demanding more loudly than its predecessors that work be meaningful and challenging. In the Canadian Pacific organization work usually satisfies both those requirements. So long as that continues to be true, the Company is sure to flourish.

It is especially gratifying this year to be able to report record earnings. Consolidated net income in 1980 reached $583.1 million, or $8.11 per Ordinary share. Compared to 1979, income was up $75.0 million, or $1.05 per share.

The Company's net income excluding the equity in income retained by subsidiaries amounted to $257.8 million, or $3.57 per Ordinary share. This compared with $214.4 million, or $2.96 per share in 1979. Out of these earnings, the Company declared dividends of $1.85 per share in 1980, up from $1.70 in 1979.

The diversified nature of the Company's transportation businesses and its major investment in Canadian Pacific Enterprises Limited were key factors in achieving favourable results in a relatively unfavourable economic climate. The Canadian and U.S. economies were both in recession, interest rates were extremely high and excessively volatile, and the rate of inflation exceeded that of any year since 1975.

In the transportation group, earnings from most operations increased over 1979. Miscellaneous income rose $13.4 million, of which $4 million was dividend income from the Northern Alberta Railways Company and $8.3 million was a net gain on the sale of the Company's 50% interest in the N.A.R.

CP Rail's income was up $12.9 million, reflecting mainly better prices for freight services.

The loss from CP Trucks was $334,000 lower than in 1979, when operations were interrupted by a series of labour disputes.

Income from CP Telecommunications was down $1.0 million, as expenses bore the cost of financing additional investment in plant and equipment.

Income from CP Air was $10.3 million lower than in 1979. Revenues were up as a result of greater volumes of passenger and cargo traffic and increased rates. These increases, however, were outpaced by rises in costs, particularly of jet fuel and labour.

In ocean shipping, CP (Bermuda) earned a record $51.4 million, up $26.4 million over 1979. Most sectors of that company's fleet showed improvement, but the dry bulk carriers made the largest contribution to the higher earnings, due to strength in grain and coal trades. CP Steamships, Limited earned $919,000, down from a profit of $1.3 million, reflecting the effects of the recession on traffic volume and rate levels.

Income from Soo Line Railroad Company, which is owned 55.7% by CP Limited, was $5.3 million more than in 1979. Improved operating efficiency and better freight rates accounted for the higher income.

Summarized Statement of Income of Canadian Pacific Limited

	1980	1979	Increase or (Decrease)
		in millions	
Net income from:			
CP Rail	**$ 121.6**	$ 108.7*	$ 12.9
CP Trucks	**(1.5)**	(1.8)	0.3
CP Telecommunications	**5.0**	6.0	(1.0)
CP Air	**2.8**	13.1	(10.3)
CP Ships	**52.3**	26.3	26.0
Soo Line Railroad Company	**23.1**	17.8	5.3
Miscellaneous	**16.9**	3.5*	13.4
Canadian Pacific Enterprises Limited	**362.9**	334.5	28.4
Net income	**$ 583.1**	$ 508.1	$ 75.0
Per Ordinary share:			
Net income	**$ 8.11**	$ 7.06	$ 1.05
Dividends	**1.85**	1.70	0.15

*Restated

To meet present and prospective needs for service, and thereby protect earning power, the Company's transportation businesses are continually modernizing or adding facilities and equipment.

Thus CP Rail is spending $77 million for 75 new diesel locomotives. Some 40 of these were ordered to provide additional power for moving grain, and the others are part of a program to reshape the existing locomotive fleet into a more powerful and flexible diesel force by the end of the decade. Mainly in order to handle potash traffic, CP Rail will take delivery of 500 rail hopper cars in mid-1981, at a cost of $27 million. Construction is to be completed this summer of second tracks between Lake Louise and Stephen, B.C., on the high density main line between Calgary and Vancouver. This is the last of three locations where construction of second tracks was undertaken to facilitate rail operation through difficult mountain terrain.

CP Rail faces growing demands for rail service, particularly in Western Canada, but its present level of earnings, representing a rate of return of 8.7%, cannot support the heavy costs of the expansion that is needed. The principal obstacle to sufficient earnings is the imposed low level of freight rates for the transportation of grain in Western Canada. Losses on grain moved at those rates in 1980 amounted to some $115 million, on a variable cost basis.

CP Air is continuing its fleet modernization program that was announced in 1979. One new DC-10-30 aircraft and two Boeing 737-200's were acquired in 1980, at a total cost of approximately $85 million. In addition, two DC-10's which had been leased out on one-year contracts were returned and introduced into service. Three standard DC-8 aircraft, which are relatively fuel-inefficient, were retired from service and the three remaining standard DC-8's will be disposed of in 1981.

CP (Bermuda) took delivery of three new 31,500-ton product tankers in 1980, and added a fourth vessel of this type early in 1981. The company sold a smaller-sized vessel during 1980, and two vessels owned by a subsidiary were also sold. These sales produced a net gain of $4.7 million. Early in 1981 another dry bulk carrier was sold. On order are four new 64,000-ton dry bulkers, scheduled for delivery in 1982 and 1983.

CP Steamships announced late in February 1981 that it had agreed to co-ordinate on an equal basis container services now operated between Canada, the United Kingdom and Continental Europe by CP Steamships, Manchester Liners and Dart Canada. The co-ordinated service will employ four large container vessels and will result in a more competitive and cost effective container operation. It was also announced that Canadian Pacific intends to purchase a one-third interest in Dart Containerline Company Limited of Bermuda; this purchase will enable Canadian Pacific to participate in the large and growing volume of trade between the United States and Western Europe.

Income of CP Limited from its investment in Canadian Pacific Enterprises Limited amounted to $362.9 million, up from $334.5 million in 1979.

Principal increases in Enterprises' income came from oil and gas, due to increased product prices, and from financial operations, which reflected a net gain on the sale of Enterprises' interest in MacMillan Bloedel Limited, and higher interest income.

Markets for some of the resource products of the companies of Enterprises were depressed as a result of the economic slowdown. This was the case particularly for lead and for lumber. However, prices were higher for precious metals, fertilizers, pulp and newsprint. Demand for most manufactured steel products was well sustained, with the principal exception of rolled sheet used in the auto industry.

During the year Enterprises continued its program of growth through developmental activity and acquisition of businesses. Major activities included drilling for oil and gas, mainly in Western Canada, but also in areas outside Canada; continuation of expansion and modernization programs at Cominco's metallurgical plants in B.C. and at the Dryden, Ontario, pulp and paper

operations of Great Lakes Forest Products; the acquisition of Victoria Plywood Ltd. by Pacific Forest Products Limited, formerly Pacific Logging; the start of construction of a new seamless tube mill at Algoma Steel's facilities in Ontario; and the acquisition by Enterprises of Maple Leaf Mills Limited, an agriproducts business.

In 1980 Enterprises sold 6,500,000 common shares in the U.S. and 1,200,000 shares outside North America. As a result of these and other stock transactions, the ownership by CP Limited of Enterprises common stock represented a 71.1% share at the end of 1980.

The year ahead is not going to be an easy one. Recovery from the recession is expected to be both slow and lacking in strength. This would limit growth in world trade, which is so important for the shipping business. Rising fuel prices will have an impact on all transportation, but airlines are probably most vulnerable of all. The effects of the Canadian Government's National Energy Program, announced last October, are certain to be far-reaching. Rail business should continue to benefit from growth of resource production in Western Canada.

The Directors wish to record their appreciation to customers as well as to officers and employees. Both groups are vital to the Company's progress, and both are valued highly.

For the Directors,

President

Chairman and
Chief Executive Officer

Montreal, March 9, 1981

Over the past three years the Company's consolidated assets increased 70%, from $7,631 million at the end of 1977 to $13,039 million at the end of 1980. In that period, working capital increased from $310 million to $1,404 million, while the net investment in properties grew from $5,119 million to $8,003 million. Minority shareholders' interest in subsidiary companies was up from $1,021 million to $2,252 million, total long term debt increased from $2,045 million to $2,997 million and shareholders' equity rose from $2,302 million at the end of 1977 to $3,523 million at the end of last year. With no change in the number of Ordinary shares outstanding, equity per Ordinary share grew from $31.50 to $48.67. Long term debt was 41% of total capitalization at the end of 1977, compared with 36% at the end of 1980. In the past three years interest coverage on long term debt increased from 5.0 times to 6.6 times. In the same years, income per Ordinary share went up from $4.85 to $8.11, and dividends per share from $1.10 to $1.85.

At the end of 1980, commitments for capital expenditures totalled $1,558 million.

The capital program approved for 1981 totalled $2,600 million. Of this, rail projects account for $380 million, nearly half of which is for new locomotives and freight cars as previously described, and the balance mostly for an extensive track improvement program.

The program includes expenditures of $615 million extending through 1983 for new aircraft and support equipment. Financing of this major acquisition program will be mainly through loans from the Export-Import Bank of the United States, with the balance being provided by short term bank loans and internally generated funds.

In the shipping field, the program provided for the purchase of two further "Panamax"-size dry bulk carriers for delivery in 1982 and 1983, as well as for the upgrading of equipment on the existing tanker/bulker fleet. Early in 1981 an order was placed for two additional "Panamax" vessels for delivery in 1983. Two of the new vessels are to be financed mainly by state-assisted ship mortgages, with the balance being covered by internally generated funds, and the other two by the investment of internally generated funds and further equity provided by the Company. The shipping program also makes provision for continuation of container replacement and refurbishing and for certain improvements to existing container vessels.

The 1981 capital program of the companies of Enterprises amounts to $1,380 million. In the petroleum sector it covers principally land, exploration and development expenditures but also oil, gas and gas product production facilities. The chief source of financing is internally generated funds.

Major projects under way in metal mining are modernization and expansion of refining plants, mine expansion and mine development. These costs are to be met from internally generated funds and long term financing arrangements, supplemented by short term financing facilities.

In the forest products sector, recently purchased pulp and paper properties are being upgraded and enlarged and environmental improvements undertaken. This is being financed out of cash resources, supplemented by the proceeds from a common stock rights issue by the paper company in 1980, by lines of credit and a government grant.

Steel manufacturing capability is being enhanced through construction of a new seamless tube mill in view of growth in demand for that product. The new mill will take three years to complete; its cost is being financed by construction loans and convertible term loans and out of the proceeds from a 1980 common stock rights issue by the steel company.

Proposed real estate expenditures are for office buildings, shopping centres and industrial buildings under construction. Construction is being financed by lines of credit and long term mortgage commitments.

At the end of 1980 total unused commitments for long term financing amounted to $1,920 million, at interest rates ranging from 8½% to 9¼% on $389 million and from prime to prime plus 1¼% on the balance, with commitment fees on $1,040 million ranging from ¼% to 1%. Unused lines of credit for short term financing, subject to customary right of review at any time, amounted to $995 million.

The Company's ability to generate future net income and cash is greatly influenced by economic and regulatory environments as well as by the effectiveness of its operating entities and subsidiaries in penetrating markets and controlling costs. The policy of greater diversification – along business lines, and geographical and national lines – continues to be pursued with a view to strengthening the earnings base by broadening it. Conditions and developments affecting past results and those likely to be significant for future trends are discussed in the following Review of Operations.

CP Rail

Net income from CP Rail amounted to $121.6 million in 1980. This was $12.9 million more than in 1979 and $45.7 million greater than in 1978. Income of the prior years is restated to reflect a change in 1980 in the basis of allocation of fixed charges between rail and miscellaneous income.

Total revenue amounted to $1,773.6 million in 1980, $1,619.0 million in 1979 and $1,428.4 million in 1978. Both in 1980 and 1979 the increases were for the most part attributable to freight revenue. In 1980 freight revenue was up $148.9 million, mainly as a result of improved prices; volume was essentially unchanged. Major commodities that contributed to higher revenues in 1980 were petrochemical products, pulp and paper, sulphur, food products, primary manufactured iron and steel, and potash. In 1979 freight revenue increased by $160.3 million, of which some $115 million resulted from improved prices and the balance mainly from higher freight volume.

Total rail expenses in 1980 were $1,652.0 million, up from $1,510.3 million in 1979 and $1,352.5 million in 1978. The increase of $141.7 million in 1980 was attributable to continued escalation of labour rates and material and fuel prices. Fuel prices in 1980 were some 30% above those of the previous year. The increase of $157.8 million in expenses in 1979 was due mainly to higher labour rates and increased material and fuel prices.

CP Trucks

Canadian Pacific Express & Transport Ltd.

In order to streamline and simplify administration, Canadian Pacific Transport Company, Limited and its subsidiary, Canadian Pacific Express Limited, were amalgamated at the end of 1980.

Canadian Pacific Express & Transport had a net loss of $2.1 million in 1980, compared with a loss of $2.7 million in 1979, and a profit of $1.5 million in 1978.

The trucking division had one of its worst years, while the express division greatly improved its performance and showed an operating profit. The bulk and specialized division made gains, and while CanPar grew substantially, it did not show a profit. The company's overall loss in 1980 was attributable to intense competition in the trucking business, under conditions of a general economic downturn. In addition, it reflected a write-off of $815,000, representing the value of operating rights in the United States. These rights were made valueless as a result of moves towards deregulation of the U.S. trucking industry. The loss in 1979 was largely attributable to disruptions of operations by a series of labour disputes.

Under a new management that took over in the Fall of 1980, a major effort is being directed initially to improving performance of the trucking division. Operating procedures are being changed, the trucking fleet is being upgraded and a more aggressive marketing policy is being followed.

CanPac International Freight Services Inc.

CanPac IFS had income of $574,000 in 1980, compared with $845,000 in 1979 and $623,000 in 1978. The decrease in 1980 was largely attributable to the shipping agency division. The increase in 1979 was due largely to the customs brokerage and freight forwarding division.

CP Telecommunications

The former telecommunication operations of Canadian Pacific and Canadian National were combined under a partnership arrangement, known as CNCP Telecommunications, effective January 1, 1980.

CP Limited's income from telecommunications in 1980 amounted to $5.0 million. In 1979 income from the former CP Telecommunication operation was $6.0 million, and in 1978 was $3.0 million.

The Company's 1980 revenues and expenses from telecommunication operations cannot be usefully compared with those of prior years, when the partnership arrangement was not in effect.

Revenues of the former CP Telecommunication operation amounted to $98.2 million in 1979 and $86.4 million in 1978. The increase in 1979 was due primarily to volume growth in Telex and leased services, but also to improved rates. Expenses in 1979 rose to $92.2 million from $83.4 million in 1978, largely because of higher costs for wages and benefits, for leased facilities and for materials.

The Federal Minister of Communications expects to introduce new telecommunications legislation in Parliament in 1981. Such legislation could materially affect the nature and scope of government regulation in the telecommunication field and the extent of competition among carriers.

CP Air

Net income from CP Air, after payment of preference dividends, amounted to $2.8 million in 1980. This was $10.3 million lower than in 1979 and $17.2 million less than in 1978.

Dividends on the outstanding preference shares amounted to $4.0 million in 1980, compared with $3.2 million in 1979 and $874,000 in 1978.

Revenues totalled $698.2 million for the year, up from $555.4 million in 1979 and $474.8 million in 1978. Passenger revenue growth from both greater volume and improved yields accounted for approximately 70% of the 1980 revenue increase. Charter revenue showed a substantial increase in 1980. Of the 1979 revenue increase, approximately 60% was due to passenger revenue, with the major contribution from business volume rather than from improved yields. Incidental and investment income were also up.

No new destinations were added to CP Air's scheduled route network during 1980. Wide-body DC-10 service was introduced on flights from Canada to Fiji, Australia and South America. Effective from September 1980, service to Athens was temporarily suspended, with resumption planned for April 1981. Within Canada, CP Air has made a concerted effort to increase its share of cross-Canada air travel through expansion of low-fare SkyBus service and introduction of Empress Class service for business and other full-fare economy passengers.

Expenses of $691.4 million in 1980 compared with $539.1 million in 1979 and $453.9 million in 1978. Jet fuel expenses rose $59 million, or 51%, in 1980, which followed on an increase of $26 million, or 29%, in 1979. The average price of fuel went up 44% in 1980 and 18% in 1979. Fuel consumption increased only 7% in 1980. Expenses for salaries, wages and benefits rose $40 million, or 22%, in 1980, and $25 million, or 16%, in 1979. Depreciation and interest expense both increased because of the additions to the fleet. Increased operation of new, fuel-efficient wide-body aircraft on certain international routes will have a favourable impact on operations in 1981.

CP Air introduced a scheduled service between Montreal and Halifax early in March 1981 and plans to begin service between Vancouver and Victoria at mid-year.

Under a new bilateral air agreement between Canada and the U.K., British Airways was given the right to commence scheduled service between the U.K. and Western Canada and an unnamed British carrier given the right to fly between Canada and Hong Kong, in competition with CP Air. Canada negotiated the right to carry traffic onward from Hong Kong to points in Thailand, Indonesia and the Philippines. CP Air is interested in expanding its service into those countries at the appropriate time and will continue to work closely with the Canadian government on this matter.

CP Ships

CP (Bermuda)

Net income of CP (Bermuda) amounted to $51.4 million in 1980. This was an increase of $26.4 million over 1979 and a $59.6 million improvement compared with the loss of $8.2 million in 1978. Income in 1980 included a net gain of $4.7 million on sales of vessels.

Revenue totalled $194.3 million in 1980, compared with $133.1 million in 1979 and $87.7 million in 1978. The number of vessels trading averaged 37 ships in 1980, 35 ships in 1979, and 33.5 ships in 1978. However, the more substantial reason than fleet size for the higher revenues has been firmer shipping market conditions and Bermuda's ability to capitalize on comparatively attractive spot rates through its policy of pursuing varied employment patterns. Underlying strength in grain and coal markets in 1980 provided particularly favourable opportunities for the bulk carriers in the fleet. In 1979 the main improvement was in results of the product tankers.

Expenses amounted to $142.9 million in 1980, compared with $108.1 million in 1979 and $95.9 million in 1978. The increases in 1980 and in 1979 reflected increases in the size of fleet but also the adverse effects of inflation on costs and of exchange movements between the U.S. dollar and the pound sterling.

Market freight levels fluctuate in response to supply and demand conditions for each type of vessel. Additions to Bermuda's fleet of another product tanker early in 1981 and of four more "Panamax" bulk carriers in 1982 and 1983 are expected to strengthen the company's earning potential in those sectors.

Canadian Pacific Steamships, Limited

Net income amounted to $919,000 in 1980. This compared with a profit of $1.3 million in 1979 and a loss of $486,000 in 1978.

Total revenue of $144.4 million in 1980 was up from $122.5 million in 1979 and $89.4 million in 1978. Of the increase in 1980, approximately 85% was due to improved rates and about 10% to higher volume – in both cases because of a buoyant market for eastbound container traffic on the North Atlantic. Volume and rates on westbound traffic were substantially lower than in 1979, reflecting reduced demand for European goods as a result of the relative strength of European currencies against the dollar, and the effects of the recession. In August 1980, the frequency of sailings was reduced in response to the lower volume of westbound traffic available. The revenue increase in 1979 was due to both higher container carryings and improved rate levels. An increase in container carryings reflected the improved competitive position of North American exports and additional capacity provided by the charter of vessels for a number of voyages.

Total expenses were $143.5 million in 1980, compared with $121.2 million in 1979 and $89.8 million in 1978. These increases reflect primarily the effects of inflation on costs, but also higher average exchange rates of currencies in which expenses are incurred.

Soo Line Railroad Company

Income from Soo Line Railroad, representing a 55.7% interest, amounted to $23.1 million in 1980. This was an increase of $5.3 million over 1979 and of $8.3 million over 1978.

Revenue reported for Soo Line amounted to $380.1 million, compared with $349.7 million in 1979 and $293.0 million in 1978. The increase in 1980 was due to freight rates, which were up an average of 16%. Freight traffic volume declined 7% as virtually all commodity groups were adversely affected by the economic recession. The increase in 1979 was principally due to freight rate increases and a more favourable mix of traffic; volume was unchanged.

Expenses totalled $338.6 million in 1980, compared with $317.7 million in 1979 and $266.4 million in 1978. The increase in 1980 was attributable to higher wage and benefit costs, higher diesel fuel prices and a larger track maintenance program. In 1979, in addition to escalation in wage, material and fuel prices, adverse weather conditions during the first half of the year contributed to the rise in expenses.

Miscellaneous Income

Miscellaneous income of $16.9 million in 1980 was up from $3.5 million in 1979, and $8.0 million in 1978.

Of the increase in 1980, $4 million represented dividends from Northern Alberta Railways Company and $8.3 million represented the net gain on the sale of CP Limited's 50% interest in that company. The decrease in income in 1979 reflected principally a reduction in gains on sale of properties, partially offset by an increase in interest income.

Canadian Pacific Enterprises Limited

Net income from the Company's investment in Canadian Pacific Enterprises Limited, representing a 71.1% share, amounted to $362.9 million in 1980. This compared with $334.5 million in 1979 and $234.5 million in 1978.

Total revenues reported for Enterprises amounted to $6,659 million in 1980, up from $5,298 million in 1979 and $4,247 million in 1978. Total expenses were $5,919 million in 1980, compared with $4,625 million in 1979 and $3,828 million in 1978.

The following analysis should be read in conjunction with the statement giving details of Enterprises' net income on pages 24 and 25.

Oil and Gas

Revenues in 1980 were $151 million higher than in 1979, due to increased prices for natural gas and oil and other products and a full year of commercial production of the Syncrude operation. In 1979 revenues were up $91 million, due to a combination of increased prices and greater production, primarily of oil.

Expenses in 1980 were up $75 million over 1979, reflecting the effects of inflation on costs, additional expenses due to a full year's operation of Syncrude, and the 5% surcharge on corporate income imposed by the Federal Government. In 1979 expenses were up $81 million, due not only to inflation, but also higher oil production and a substantial increase in income taxes due to lower deductions for earned depletion.

The National Energy Program unveiled by the Federal Government in October 1980 includes proposals that are of concern to the oil and gas industry. Legislation subsequently introduced under the Program provides for a tax on oil and gas producers amounting to 8% of net operating revenues related to gas and oil production, including royalty revenues.

The Program provides for petroleum incentive payments related to a company's Canadian Ownership Rate. These payments will offset, to a degree, the negative impact of elimination of certain income tax incentives. In general, however, the Program will adversely affect PanCanadian's cash flow and income. PanCanadian will be eligible for incentive payments under the Program, but their level cannot be determined until the final rules governing the measurement of Canadian ownership rates are known.

The Program also sets out a schedule of staged price increases for crude oil and natural gas through to 1990. The schedule has not been adopted in full, but the first increase, amounting to $1.00 per barrel of crude oil, was made effective January 1, 1981.

Mines and Minerals

Revenues in 1980 were up $166 million over 1979. This was largely attributable to price increases for gold, silver, potash, chemicals and chemical fertilizers, which offset a reduction due to substantially lower lead prices. Revenues in 1979 were up $393 million, reflecting better prices for all metals, especially lead, zinc, silver and gold.

Expenses in both 1980 and 1979 were up from the previous year, chiefly because of higher costs for raw materials.

Forest Products

Revenues increased $204 million over 1979, due mostly to higher sales volumes of pulp and paper, but also to some price increases for those products. The higher volumes reflected mainly the operation of the Dryden mills acquired in December 1979. Revenues in 1979 were up $109 million above those of 1978, largely on account of higher prices and increased volumes of pulp, newsprint and lumber.

Expenses in 1980 rose $193 million, principally because of the additional expenses attributable to the Dryden operation, and also escalation of costs. In 1979 expenses were up $66 million due to both volume increases and cost escalation.

Iron and Steel

Revenues in 1980 were $197 million higher than in 1979, reflecting the acquisition by Dominion Bridge of Koehring Company in August 1980, and price increases for the products of Dominion Bridge and Algoma Steel. In 1979 the increase of $331 million was largely attributable to higher prices and greater volumes for Algoma's products, and to volume increases at Dominion Bridge.

Expenses in 1980 were up $194 million over 1979, due to the Koehring acquisition and cost escalation. In 1979 expenses were up $297 million, reflecting higher costs and increased volume of steel production.

Real Estate

Revenues increased $64 million in 1980, largely the result of the acquisition of Canadian Freehold Properties in December 1979, and new buildings which became operational during 1980. Revenues in 1979 were only $2 million above those in 1978, reflecting the sale of Marathon Realty's remaining condominium inventory in 1978.

Expenses rose $62 million in 1980 due mainly to the Canadian Freehold acquisition. Expenses in 1979 were down $2 million reflecting the disposition of the condominium operation in the previous year.

Agriproducts

Revenues in 1980 were $461 million higher than in 1979, reflecting the acquisition of Maple Leaf Mills Limited in July 1980. In 1979 revenues increased $78 million, largely as a result of the acquisition by Baker Commodities of Corenco Corporation.

Expense increases in both 1980 and 1979 were due mainly to the acquisitions made in each of those years.

Other Businesses

Revenues were up $40 million in 1980, reflecting higher room rates and increased food prices at CP Hotels, the first full year of operation of Processed Minerals Incorporated, and higher selling prices for the products of Syracuse China. Revenues in 1979 were $49 million above those of 1978, due to higher prices and volumes at CP Hotels, as well as the inclusion from August 1979, of operations of Processed Minerals.

Expenses rose $32 million in 1980, mainly as a result of higher costs for labour, material and supplies. In 1979 expenses were $33 million higher, reflecting the incorporation of Processed Minerals, as well as cost escalation.

Financial

Net income was up $23.1 million in 1980, mainly due to the net gain of $13 million on the sale of Enterprises' 13.4% interest in MacMillan Bloedel Limited, and higher interest income.

Income in 1979 was down $20.7 million from 1978, when there was a net gain of $23.8 million on the sale of Enterprises' 12% interest in TransCanada PipeLines Limited.

Effects of Changing Prices and Inflation

The inflation rate in Canada over the past three years was 31% measured by the consumer price index. During the same years the index of construction costs of non-residential buildings increased by 25%, and the index of prices of machinery and equipment by 33%; interest rates were also up, as the prime rate charged by banks more than doubled – going from 8¼% to 18¼% – and the yield on industrial bonds rose 36%. The problems of inflation are thus as real, and pressing, for business as they are for individuals, but this is rarely understood outside the business community.

As a result of inflation, all of the Company's transportation operations and the major operating companies of Canadian Pacific Enterprises have required ever larger expenditures of capital just to maintain present levels of productive capacity, let alone expand. The increased earnings of the last few years have thus been needed, and largely used, to modernize, improve, expand or develop facilities, equipment and resource properties. This is apparent in the growth of capital expenditures from roughly $1 billion in 1978 to $1.2 billion in 1979 to $1.6 billion in 1980.

The Company's revenues contain many different strands, reflecting the wide diversity of its operations. A number of the transportation activities are carried on subject to varying degrees of government regulation over prices that may be charged. This is true of rail, trucks, telecommunications and air. The major limitation in the case of rail is the low rate for carrying grain in Western Canada that is imposed by statute. In the case of trucks, telecommunications and air, regulation is more general and extends to all rates, which can mean that prices lag for a time behind cost increases. Tanker and bulker shipping rates are determined by the supply of and demand for the different types of vessels. Container shipping on the North Atlantic is intensely competitive, and highly sensitive to changes in the volume of traffic available. World market conditions are the primary influence on the selling prices of many of the products that contribute significantly to revenues of Enterprises – such as base and precious metals, lumber, newsprint and pulp. In the case of oil and gas, prices are set by the Federal and Provincial governments; although they have been increasing regularly, they are still markedly below world prices. In steel manufacturing, product prices are established in highly competitive markets which are strongly affected by cyclical variations in economic activity.

It is considered that price changes, together with flexible marketing strategies and productivity improvements, have enabled revenue to grow by at least as much as the increase in expenses attributable to inflation, even though this might not be true for every individual operation in every year.

The difficulties of measuring the overall impact of inflation on business are very great – both conceptually and practically – and have not yet been satisfactorily overcome. Such a complex problem has spawned some solutions so complex that the results produced are far from meaningful. Both in the United States and the United Kingdom, standards for current cost accounting are in place, but are different in each country. In Canada, proposals by the Canadian Institute of Chartered Accountants follow more closely the British approach than the American, but they are still under discussion and review. It would be worth some further delay to ensure that the method adopted for gauging the extent to which inflation erodes business income and investment is both sound and reasonably comprehensible. Such a method could be invaluable in backing up the claims of business that present levels of profits are generally too low, not too high. Even more, it could help to convince governments that taxes on corporate income as now calculated include a concealed tax on capital. For that is the effect, during inflationary times, of basing allowable tax deductions for the using up of assets on past, rather than present, costs of assets.

General

Basic financial reporting and consolidation policy

Canadian Pacific Limited (CP Limited) carries on transportation and related enterprises directly and through subsidiaries, in Canada and internationally. CP Limited also holds 100,000,000 common shares of Canadian Pacific Enterprises Limited (Enterprises) representing 71.09% of its common shares at December 31, 1980 (75.81% at December 31, 1979 and 82.37% at December 31, 1978). Enterprises, through various subsidiary companies, carries on development of extensive natural resource properties and engages in manufacturing and other activities in Canada and abroad.

The financial statements of all subsidiary companies except those of a finance company, which is accounted for on an equity basis, are included in the consolidated financial statements of CP Limited and have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Company, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

The statement of consolidated income on page 19 is designed to present clearly CP Limited's income from its transportation related activities and from its holding in Enterprises. Income from transportation is segregated between the major functions — rail, trucks, telecommunications, air, ships and Soo Line Railroad Company. A breakdown of income by function for the operations carried on by Enterprises is presented on page 24. The significant accounting policies of each group are described below, and should be read in conjunction with the consolidated financial statements and the notes thereto.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets, related depreciation, depletion and amortization and long term debt (excluding the current portion) have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization which are translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are carried to income.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 2027.

Transportation

Income reporting by function

CP Limited operates its various transportation enterprises as separate profit centres. CP Rail, comprising railway and coastal steamship operations, and CP Telecommunications, comprising mainly a 50% share of the CNCP Telecommunications partnership, are departments of CP Limited. CP Trucks (Canadian Pacific Express & Transport Ltd. and CanPac International Freight Services Inc.), CP Air (Canadian Pacific Air Lines, Limited) and CP Ships (Canadian Pacific Steamships, Limited and Canadian Pacific (Bermuda) Limited) are operated through subsidiary companies in which the Company owns 100% of the common shares; the Soo Line Railroad Company is 55.69% owned.

In order to present fairly the results by profit centre, charges for services performed by one profit centre for another, which are made at normal tariff or other arm's length rates, are not eliminated. Consolidated net income is not affected by this practice. Services provided by CP Rail to other profit centres yielded revenues in 1980 of $198,000,000 (1979 – $160,000,000; 1978 – $153,000,000). There were no other significant inter-company services provided by the transportation group. CP Limited's rent for leased railways is assigned to CP Rail. Other interest paid by CP Limited is allocated to CP Rail, CP Telecommunications and Miscellaneous income as appropriate. Interest paid by other transportation companies is charged to their respective profit centres.

CP Limited's income taxes are allocated to CP Rail, CP Telecommunications and Miscellaneous income on the basis of accounting income as adjusted for non-taxable items. Taxes of other transportation companies are charged to their respective profit centres.

Properties

Maintenance and repairs are charged to expenses as incurred. Major additions and replacements generally are capitalized with the exception of the following which are charged to expenses:

1. Labour costs relating to track structure replacements.

2. Renewals of parts of units of railway property which do not constitute "major renewals" as defined by the Uniform Classification of Accounts for Class 1 Common Carriers by Railway of the Canadian Transport Commission.

Depreciation

Depreciation is calculated on the straight-line basis at rates based upon the estimated service lives of depreciable property. For railway properties, the rates used by CP Rail are as authorized by the Canadian Transport Commission and by the Interstate Commerce Commission for the Soo; for telecommunications properties, the rates used are as authorized by the Canadian Radio-television and Telecommunications Commission. When depreciable property is retired or otherwise disposed of, the book value, less net salvage, is charged to accumulated depreciation.

Estimated service lives used for principal categories of properties are as follows:

Railway	
— road diesel locomotives	20 years
— freight cars	30 years
— ties	29 years
— rails	50 years
Ships	20 to 25 years
Aircraft	14 to 15 years
Telecommunications equipment	7 to 18 years
Trucks	8 to 12 years

Canadian Pacific Enterprises Limited

Income reporting by function

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of a finance company, which is accounted for on an equity basis. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership by Enterprises, December 31	1980	1979	1978
Oil and Gas			
PanCanadian Petroleum Limited	87.08%	87.08%	87.10%
Mines and Minerals			
Cominco Ltd.	53.64	53.75	53.91
Fording Coal Limited			
Enterprises	60	60	60
Cominco	40	40	40
Steep Rock Iron Mines Limited	77.28	77.11	70.33
Forest Products			
Pacific Forest Products Limited*	100	100	100
Great Lakes Forest Products Limited	54.28	54.01	55.69
Commandant Properties, Limited	100	100	100
Iron and Steel			
The Algoma Steel Corporation, Limited	56.77	54.97	54.40
Dominion Bridge Company, Limited			
Enterprises	9.38	9.46	8.68
Algoma	42.80	43.15	43.10
Real Estate			
Marathon Realty Company Limited	100	100	100
Agriproducts			
Maple Leaf Mills Limited	100	—	—
CanPac AgriProducts Limited	100	100	100
Rothsay Concentrates Co. Limited	100	100	100
Other Businesses			
Canadian Pacific Hotels Limited	100	100	100
Syracuse China Corporation	100	100	100
Processed Minerals Incorporated	100	100	—
Financial			
Canadian Pacific Enterprises Limited (Corporate)			
Canadian Pacific Securities Limited	100	100	100
Chateau Insurance Company	99.96	99.96	99.96
Canadian Pacific Enterprises (International) B.V.†	100	100	100
Canadian Pacific Enterprises (U.S.) Inc.	100	100	100
Canellus Finance N.V.	100	100	100

*Prior to January 1, 1981, the name of this company was Pacific Logging Company Limited.
†Prior to February 26, 1981, the name of this company was Canellus International B.V.

Algoma Steel supplies structural steel and plate to Dominion Bridge. In reporting the results of Iron and Steel operations in the analysis of Enterprises' operations on Page 24, the following amounts have been eliminated from sales and operating revenue and from expenses: 1980 – $44,380,000; 1979 – $36,712,000; 1978 – $24,019,000. Until the cessation of its mining and pelletizing operation in 1979, Steep Rock supplied iron ore pellets to Algoma, amounting to $35,208,000 in 1979 and $39,901,000 in 1978. These amounts, together with inter-company interest charges amounting to $25,243,000 in 1980, $22,149,000 in 1979 and $27,051,000 in 1978, have not been eliminated in the analysis of Enterprises' operations in order to present fairly the results by activity. Enterprises' net income is not affected by this practice. Steep Rock's transactions with Algoma and inter-company interest charges have been eliminated from Enterprises' revenues and expenses in the CP Limited Statement of Consolidated Income on page 19. There are no other significant inter-company charges within the Enterprises group of companies.

Inventories

Products, work in process and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in process related to steel making operations are valued at the lower of cost and net realizable value. Work in process related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on the straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties is capitalized during the period of construction and initial development. Such interest is included in the charge to earnings for depreciation and amortization when production commences in commercial quantities.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income producing properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Land under development and held for development is carried at cost, including carrying costs, principally real estate taxes and interest. Buildings and construction in process are carried at cost including real estate taxes, interest and initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, generally on the straight-line basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Auditors' Report

To the Shareholders of Canadian Pacific Limited:

We have examined the consolidated balance sheets of Canadian Pacific Limited as at December 31, 1980 and 1979 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1980. Our examinations of the financial statements of Canadian Pacific Limited and those subsidiaries of which we are the auditors were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other subsidiaries, which include The Algoma Steel Corporation, Limited, Canadian Pacific (Bermuda) Limited, Cominco Ltd., Dominion Bridge Company, Limited, Great Lakes Forest Products Limited, Steep Rock Iron Mines Limited and Soo Line Railroad Company.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1980 in accordance with generally accepted accounting principles in Canada consistently applied.

Price Waterhouse & Co., Chartered Accountants,
Montreal, Quebec,
March 6, 1981.

Statement of Consolidated Income

For the Year ended December 31

	1980	1979	1978
		in thousands	
CP Rail			
Revenues (Note 1)	$ 1,773,593	$ 1,619,031	$ 1,428,435
Expenses including income taxes	1,651,998	1,510,294	1,352,490
Net income	121,595	108,737	75,945
CP Trucks			
Revenues	243,240	211,725	208,085
Expenses including income taxes	244,767	213,586	205,927
Net income	(1,527)	(1,861)	2,158
CP Telecommunications			
Revenues	123,056	98,215	86,416
Expenses including income taxes	118,101	92,210	83,437
Net income	4,955	6,005	2,979
CP Air			
Revenues	698,251	555,417	474,800
Expenses including income taxes	691,412	539,083	453,928
	6,839	16,334	20,872
Preference dividend	3,986	3,214	874
Net income	2,853	13,120	19,998
CP Ships			
Revenues	338,775	255,645	177,070
Expenses including income taxes	286,415	229,325	185,724
Net income	52,360	26,320	(8,654)
Soo Line Railroad Company			
Revenues	380,067	349,694	293,015
Expenses including income taxes	338,631	317,734	266,412
	41,436	31,960	26,603
Minority interest	18,360	14,161	11,788
Net income	23,076	17,799	14,815
Miscellaneous			
Net income	16,898	3,527	8,011
Canadian Pacific Enterprises Limited (Note 2)			
Revenues	6,659,250	5,297,895	4,247,373
Expenses including income taxes	5,918,725	4,625,019	3,827,817
	740,525	672,876	419,556
Minority interest	377,578	338,381	185,022
Net income	362,947	334,495	234,534
Net Income	$ 583,157	$ 508,142	$ 349,786
Earnings per Ordinary Share	$ 8.11	$ 7.06	$ 4.85

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

	1980	1979	1978
		in thousands	
Balance, January 1	**$ 2,328,050**	$ 1,934,107	$ 1,665,679
Net income for the year	**583,157**	508,142	349,786
Gain arising from the net increase in shareholders' equity of a subsidiary due to the issuance of common shares	**72,212**	12,687	—
	2,983,419	2,454,936	2,015,465
Commission, expense and discount relating to issuance and cancellation of preferred shares and issuance of common shares by subsidiary companies:			
Preferred shares	**(3)**	(11)	104
Common shares — net of income tax of $4,970,000 and minority interest of $1,375,000 (1979 — $3,495,000 and $915,000 respectively)	**3,381**	2,872	—
Dividends			
7¼% Preferred shares	**1,471**	1,650	1,887
4% Preference stock	**557**	549	539
Ordinary stock (per share: 1980 — $1.85; 1979 — $1.70; 1978 — $1.10)	**132,575**	121,826	78,828
Total Dividends	**134,603**	124,025	81,254
Balance, December 31	**$ 2,845,438**	$ 2,328,050	$ 1,934,107

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	1980	1979	1978
		in thousands	
Source of Funds			
Net income	$ 583,157	$ 508,142	$ 349,786
Depreciation, depletion and amortization	478,305	421,248	387,596
Deferred income taxes	250,814	202,713	107,362
Minority interest in income of subsidiaries	399,924	355,756	197,684
Funds from operations	1,712,200	1,487,859	1,042,428
Sales of investments	118,238	14,877	63,661
Issuance of long term debt	447,764	484,953	537,093
Issuance of shares by subsidiaries	297,467	222,783	80,000
Proceeds from disposal of properties	90,364	144,169	75,041
Sundries – net	14,577	(19,512)	2,734
Working capital of subsidiaries acquired and consolidated	289,016	14,872	127,093
	$ 2,969,626	$ 2,350,001	$ 1,928,050
Application of Funds			
Additions to properties	$ 1,585,033	$ 1,219,866	$ 947,733
Additions to investments	18,375	36,629	50,551
Investment in subsidiaries acquired and consolidated	361,852	112,357	24,367
Reduction in long term debt	348,629	371,607	290,261
Reduction of minority shareholders' interest in subsidiaries	8,559	8,144	11,227
Preferred shares purchased for cancellation	1,967	3,243	3,104
Dividends declared	134,603	124,025	81,254
Dividends paid minority shareholders of subsidiaries	157,271	126,861	67,642
Working capital deficit of subsidiary acquired and consolidated	—	58,931	—
Increase in working capital	353,337	288,338	451,911
	$ 2,969,626	$ 2,350,001	$ 1,928,050

Changes in Consolidated Working Capital

	1980	1979	1978
Current Assets			
Cash and temporary investments	$ 144,371	$ 328,122	$ 346,130
Accounts receivable	189,472	156,539	457,308
Inventories	445,079	275,265	194,721
	778,922	759,926	998,159
Current Liabilities			
Bank loans	21,061	4,588	4,216
Accounts payable and accrued liabilities	352,252	297,588	409,629
Notes and accrued interest payable	(75,969)	102,511	18,654
Income and other taxes payable	10,784	85,100	56,304
Dividends payable	3,516	30,810	10,235
Long term debt maturing within one year	113,941	(49,009)	47,210
	425,585	471,588	546,248
Increase in working capital	$ 353,337	$ 288,338	$ 451,911

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

Assets	1980	1979
	in thousands	
Current Assets		
Cash and temporary investments, at cost (approximates market)	$ 1,359,005	$ 1,214,634
Accounts receivable	1,453,732	1,264,260
Rail materials and supplies, at cost or less	238,897	182,648
Other inventories (Note 7)	1,311,358	922,528
	4,362,992	3,584,070
Insurance Fund		
(approximate market $3,451,000; 1979 — $3,207,000)	4,000	3,645
Investments		
Portfolio (market value $108,282,000; 1979 — $169,223,000) (Note 8)	69,201	152,502
Other (Note 9)	310,341	305,655
	379,542	458,157
Properties, at cost (Note 10)		
CP Rail	3,251,424	3,057,017
CP Trucks	138,665	133,002
CP Telecommunications	234,427	193,824
CP Air	733,825	600,291
CP Ships	598,625	534,338
Soo Line Railroad Company	457,282	410,131
Miscellaneous	30,967	24,798
Canadian Pacific Enterprises Limited	6,691,050	5,458,179
	12,136,265	10,411,580
Less: Accumulated depreciation, depletion and amortization	4,133,379	3,706,428
	8,002,886	6,705,152
Other Assets and Deferred Charges	289,081	251,369
	$ 13,038,501	$ 11,002,393

Liabilities

	1980	1979
	in thousands	
Current Liabilities		
Bank loans	$ 93,465	$ 72,404
Accounts payable and accrued liabilities	1,866,795	1,514,543
Notes and accrued interest payable	338,722	414,691
Income and other taxes payable	259,230	248,446
Dividends payable	88,077	84,561
Long term debt maturing within one year	312,741	198,800
	2,959,030	2,533,445
Deferred Liabilities	130,830	83,578
Insurance Reserve	4,000	3,645
Long Term Debt (Note 11)	2,684,696	2,424,831
Perpetual 4% Consolidated Debenture Stock (Note 12)	292,549	292,549
Minority Shareholders' Interest in Subsidiary Companies (Note 13)	2,251,899	1,754,260
Deferred Income Taxes	1,192,311	922,137
Shareholders' Equity		
Preferred shares (Note 14)		
Authorized – 22,360,731 shares of a par value of $10 each		
Issued – 1,978,943 7¼% Cumulative Redeemable Series A shares (1979 – 2,197,370)	19,790	21,974
Preference stock – 4% non-cumulative		
Authorized – an amount not exceeding one-half the aggregate amount of Ordinary stock outstanding		
Issued – £864,923 in amounts of £1 and multiples thereof	4,209	4,209
– in amounts of $3 and multiples thereof	11,539	11,539
	15,748	15,748
Ordinary stock		
Authorized – 100,000,000 shares of a par value of $5 each		
Issued – 71,662,280 shares	358,311	358,311
Premium on stock	113,843	113,626
Other paid-in surplus (Note 15)	170,056	150,239
Retained income	2,845,438	2,328,050
	3,523,186	2,987,948
	$ 13,038,501	$ 11,002,393

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Approved on behalf of the Board:
Ian D. Sinclair, Director
F. S. Burbidge, Director

1. CP Rail – Revenues

	1980	1979	1978
		in thousands	
Freight	$ 1,544,649	$ 1,395,717	$ 1,235,376
Passenger	68,080	61,788	23,550
Other railway	45,776	43,400	46,420
Coastal steamships	18,201	24,435	22,109
Government payments	96,887	93,691	100,980
	$ 1,773,593	$ 1,619,031	$ 1,428,435

2. Canadian Pacific Enterprises Limited – Net Income

	1980	1979	1978
		in thousands	
Oil and Gas			
Gross operating revenue	$ 574,687	$ 423,905	$ 332,881
Expenses including income taxes	333,320	258,075	176,998
	241,367	165,830	155,883
Interest of outside shareholders	31,185	21,425	20,109
Net income	210,182	144,405	135,774
Mines and Minerals			
Gross operating revenue	1,698,480	1,532,277	1,139,365
Expenses including income taxes	1,502,288	1,275,907	1,050,315
	196,192	256,370	89,050
Interest of outside shareholders	97,554	126,658	39,528
Net income	98,638	129,712	49,522
Forest Products			
Sales and operating revenue	674,914	470,438	361,254
Expenses including income taxes	593,311	399,886	333,786
	81,603	70,552	27,468
Interest of outside shareholders	36,034	22,875	9,166
Net income	45,569	47,677	18,302
Iron and Steel			
Sales and operating revenue	2,382,210	2,185,316	1,854,106
Expenses including income taxes	2,237,273	2,043,679	1,747,008
	144,937	141,637	107,098
Interest of outside shareholders	83,731	81,414	65,768
Net income	61,206	60,223	41,330
Real Estate			
Gross rentals and other income	193,988	130,495	128,690
Expenses including income taxes	172,809	111,079	113,164
	21,179	19,416	15,526
Interest of outside shareholders	188	175	211
Net income	20,991	19,241	15,315

Agriproducts			
Gross operating revenue	**715,587**	254,856	176,895
Expenses including income taxes	**705,337**	249,964	171,012
	10,250	4,892	5,883
Interest of outside shareholders	**576**	—	—
Net income	**9,674**	4,892	5,883
Other Businesses			
Gross operating revenue	**302,366**	262,148	212,833
Expenses including income taxes	**290,564**	258,102	224,997
Net income	**11,802**	4,046	(12,164)
Financial			
Gross operating revenue	**142,261**	95,817	108,301
Expenses including income taxes	**109,066**	85,684	77,489
Net income	**33,195**	10,133	30,812
Canadian Pacific Enterprises Limited – Net income	**491,257**	420,329	284,774
Minority interest	**128,310**	85,834	50,240
Net Income	**$ 362,947**	$ 334,495	$ 234,534

3. Expenses including Income Taxes	1980	1979	1978
		in thousands	
CP Rail			
Maintenance	$ 493,350	$ 460,233	$ 421,718
Traffic	33,766	29,371	27,308
Other operating	666,837	603,565	521,510
General and administrative	231,385	216,657	202,016
Depreciation	87,266	82,626	80,176
Fixed charges	20,700	21,600	22,400
Income taxes	118,694	96,242	77,362
	$ 1,651,998	$ 1,510,294	$ 1,352,490
CP Trucks			
Maintenance	$ 21,930	$ 19,618	$ 17,870
Other operating	158,620	140,233	135,510
Selling, general and administrative	52,449	44,938	41,138
Depreciation and amortization	9,167	7,844	7,347
Interest	3,508	2,774	2,283
Income taxes	(907)	(1,821)	1,779
	$ 244,767	$ 213,586	$ 205,927
CP Telecommunications			
Maintenance	$ 41,470	$ 25,678	$ 24,478
Other operating	26,058	22,572	21,361
Selling, general and administrative	23,961	22,276	20,008
Depreciation and amortization	13,362	11,064	10,043
Fixed charges	7,988	4,710	4,737
Income taxes	5,262	5,910	2,810
	$ 118,101	$ 92,210	$ 83,437
CP Air			
Maintenance	$ 69,473	$ 57,334	$ 50,039
Other operating	405,823	301,388	243,204
Selling, general and administrative	148,037	122,713	103,982
Depreciation and amortization	38,899	28,926	24,760
Interest	24,886	17,372	13,184
Income taxes	4,294	11,350	18,759
	$ 691,412	$ 539,083	$ 453,928
CP Ships			
Maintenance	$ 28,824	$ 15,137	$ 13,900
Other operating	181,965	144,288	116,899
Selling, general and administrative	34,634	30,531	20,356
Depreciation and amortization	26,417	22,521	22,739
Interest	13,136	13,202	12,811
Income taxes	1,439	3,646	(981)
	$ 286,415	$ 229,325	$ 185,724

Soo Line Railroad Company			
Maintenance	$ 107,074	$ 91,594	$ 80,147
Traffic	7,069	6,253	5,498
Other operating	168,956	167,773	136,562
General and administrative	14,159	14,715	11,499
Depreciation and amortization	9,915	8,223	8,947
Fixed charges	13,573	10,681	9,642
Income taxes	17,885	18,495	14,117
	$ 338,631	$ 317,734	$ 266,412
Miscellaneous			
Operating, general and administrative	$ 15,208	$ 6,927	$ 8,351
Depreciation	2,543	1,164	513
Fixed charges	62,289	62,958	44,594
Income taxes	(6,335)	(32)	(1,241)
	$ 73,705	$ 71,017	$ 52,217
Canadian Pacific Enterprises Limited			
Operating expenses and cost of goods sold	$ 4,320,866	$ 3,319,920	$ 2,795,586
Distribution, selling, general and administrative	634,294	479,856	434,254
Depreciation, depletion and amortization	290,736	258,880	233,071
Interest	254,988	214,670	165,300
Income taxes	417,841	351,693	199,606
	$ 5,918,725	$ 4,625,019	$ 3,827,817

4. Canadian Pacific Enterprises Limited – Expenses including Income Taxes	**1980**	1979	1978
		in thousands	
Oil and Gas			
Cost of goods sold	**$ 107,030**	$ 86,098	$ 63,432
Selling, general and administrative	**15,967**	13,353	10,823
Depreciation, depletion and amortization	**65,380**	54,030	40,749
Interest	**25,373**	30,239	12,260
Income taxes	**119,570**	74,355	49,734
	333,320	258,075	176,998
Mines and Minerals			
Cost of goods sold	**990,074**	798,833	667,033
Distribution, selling, general and administrative	**257,028**	220,461	206,218
Depreciation, depletion and amortization	**84,966**	83,640	80,304
Interest	**36,334**	30,584	31,490
Income taxes	**133,886**	142,389	65,270
	1,502,288	1,275,907	1,050,315
Forest Products			
Cost of goods sold	**461,155**	299,352	253,789
Selling, general and administrative	**14,250**	10,936	12,731
Depreciation, depletion and amortization	**40,788**	29,606	25,641
Interest	**14,221**	13,345	16,039
Income taxes	**62,897**	46,647	25,586
	593,311	399,886	333,786
Iron and Steel			
Cost of goods sold	**1,839,811**	1,693,010	1,460,323
Selling, general and administrative	**198,634**	162,009	139,951
Depreciation, depletion and amortization	**68,916**	67,114	63,490
Interest	**60,132**	48,546	44,102
Income taxes	**69,780**	73,000	39,142
	2,237,273	2,043,679	1,747,008
Real Estate			
Operating expenses and cost of sales	**100,806**	56,423	69,389
Depreciation	**8,788**	6,610	5,555
Interest	**48,464**	34,749	29,477
Income taxes	**14,751**	13,297	8,743
	172,809	111,079	113,164
Agriproducts			
Cost of goods sold	**604,548**	230,909	157,105
Selling, general and administrative	**74,601**	8,857	6,085
Depreciation and amortization	**9,066**	3,600	2,263
Interest	**9,625**	2,275	1,114
Income taxes	**7,497**	4,323	4,445
	705,337	249,964	171,012

Other Businesses			
Operating expenses and cost of goods sold	**217,442**	190,503	164,416
Selling, general and administrative	**40,962**	37,439	36,297
Depreciation and amortization	**12,425**	14,158	14,922
Interest	**11,458**	10,635	11,139
Income taxes	**8,277**	5,367	(1,777)
	290,564	258,102	224,997
Financial			
General and administrative	**32,852**	26,801	22,149
Depreciation and amortization	**407**	122	147
Interest	**74,624**	66,446	46,730
Income taxes	**1,183**	(7,685)	8,463
	109,066	85,684	77,489
	5,943,968	4,682,376	3,894,769
Inter-segment eliminations	**(25,243)**	(57,357)	(66,952)
	$ 5,918,725	$ 4,625,019	$ 3,827,817

5. Interest Expense

	1980	1979	1978
		in thousands	
Long term debt and debenture stock	**$ 270,690**	$ 244,149	$ 212,137
Short term debt	**88,774**	60,968	32,529
	$ 359,464	$ 305,117	$ 244,666
Interest capitalized on funds borrowed to finance capital projects	**$ 22,975**	$ 12,596	$ 8,589

6. Income Taxes

	1980	1979	1978
	in thousands		
Current	$ 307,359	$ 282,770	$ 204,849
Deferred	250,814	202,713	107,362
	$ 558,173	$ 485,483	$ 312,211
The deferred income tax provision arose as follows:			
Capital cost allowances	$ 184,213	$ 151,768	$ 86,568
Exploration and development allowances	57,793	45,584	17,358
Miscellaneous	8,808	5,361	3,436
	$ 250,814	$ 202,713	$ 107,362
Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
Income tax at the statutory rate	$ 746,734	$ 638,257	$ 415,226
Depletion and resource allowances	(115,297)	(114,132)	(101,738)
Provincial mining and resource taxes	26,483	29,652	19,773
Royalties and mineral reserve tax	22,894	16,942	15,474
Investment tax credits	(24,968)	(38,541)	(7,737)
Miscellaneous	(97,673)	(46,695)	(28,787)
Income tax as charged to income	$ 558,173	$ 485,483	$ 312,211

7. Other Inventories

	1980	1979
	in thousands	
Raw materials	$ 482,848	$ 347,327
Work in process	270,161	181,603
Finished goods	360,296	239,748
Stores and materials	198,053	153,850
	$ 1,311,358	$ 922,528

8. Investment Portfolio

		1980		1979	
		in thousands			
	Percentage of outstanding voting shares	Cost	Approximate market value	Cost	Approximate market value
Common Shares					
MacMillan Bloedel Limited	—	$ —	$ —	$ 82,560	$ 76,939
MICC Investments Limited	5.66	2,293	5,162	2,293	4,454
Norcen Energy Resources Limited	0.99	3,804	8,423	3,804	8,662
Rio Algom Limited	9.37	30,823	46,619	30,823	42,463
Union Carbide Canada Limited	8.24	18,375	34,044	18,375	22,489
Other		4,220	6,444	4,220	5,666
		59,515	100,692	142,075	160,673
Preferred Shares		7,488	5,658	8,229	6,649
Bonds, Debentures and Notes		2,198	1,932	2,198	1,901
		$ 69,201	$ 108,282	$ 152,502	$ 169,223

9. Other Investments

	1980	1979
	in thousands	
Koehring Financial Corporation (accounted for on an equity basis)	$ 39,710	$ —
Others, at cost:		
Tara Exploration and Development Company Limited	26,903	26,903
Bethlehem Copper Corporation (consolidated November 1, 1980)	—	41,313
Panarctic Oils Ltd.	40,637	40,483
Tilden Iron Ore Partnership	41,304	41,890
Northern Alberta Railways Company (sold in 1980)	—	23,340
The Toronto Terminals Railway Company	10,882	9,182
Other	150,905	122,544
	$ 310,341	$ 305,655

10. Properties and Accumulated Depreciation, Depletion and Amortization

	1980			1979
	in thousands			
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Net
CP Rail*	$ 3,251,424	$ 1,461,772	$ 1,789,652	$ 1,650,598
CP Trucks	138,665	58,561	80,104	75,843
CP Telecommunications	234,427	106,255	128,172	99,822
CP Air	733,825	250,657	483,168	370,259
CP Ships	598,625	126,102	472,523	425,945
Soo Line Railroad Company	457,282	127,430	329,852	289,311
Miscellaneous	30,967	5,199	25,768	21,725
Canadian Pacific Enterprises Limited				
Oil and Gas	1,464,405	353,542	1,110,863	907,215
Mines and Minerals	1,657,601	577,051	1,080,550	766,041
Forest Products	714,324	272,994	441,330	407,209
Iron and Steel	1,433,148	609,383	823,765	680,911
Real Estate	932,981	39,983	892,998	779,599
Agriproducts	219,887	83,176	136,711	33,460
Other Businesses	267,385	60,688	206,697	196,363
Financial	1,319	586	733	851
Total Enterprises	6,691,050	1,997,403	4,693,647	3,771,649
	$ 12,136,265	$ 4,133,379	$ 8,002,886	$ 6,705,152

*Includes $40,661,000 (1979 – $41,468,000) securities of leased railway companies.

11. Long Term Debt		1980		1979
		in thousands		
Canadian Pacific Limited				
5% Collateral Trust Bonds due 1983	$	31,536	$	31,536
8⅛% Collateral Trust Bonds due 1985		27,750		27,750
8½% Collateral Trust Bonds due 1989		5,188		5,603
9¾% Collateral Trust Bonds due 1989		52,999		56,550
8⅞% Collateral Trust Bonds due 1992		42,180		43,291
10.35% Collateral Trust Bonds due 1994		64,799		67,159
11¼% Collateral Trust Bonds due 1995		57,425		60,000
6⅜% – 10⅛% Equipment Trust Certificates due 1982-1993		91,057		108,295
Bank loans and sundry borrowings due 1981-1994		221,327		193,508
Canadian Pacific Air Lines, Limited				
Bank loans due 1982-1990		86,211		30,022
Canadian Pacific (Bermuda) Limited				
Mortgages due 1981-1987		95,659		60,913
8¼% Notes due 1984		30,952		33,814
Bank loan due 1985		18,715		20,822
Canadian Pacific Express & Transport Ltd.				
Bank loans		9,250		10,250
Soo Line Railroad Company				
4¼% – 11¾% Equipment Trust Certificates due 1981-1995		101,227		81,810
Sundry – due 1981-2029		32,163		41,502
Canadian Pacific Enterprises Limited				
5⅛% – 5¼% Income Debentures		—		13,000
The Algoma Steel Corporation, Limited				
7⅜% – 11% Sinking Fund Debentures due 1987-1995		151,854		159,912
Floating Rate Income Debentures due 1994-1999		106,880		106,880
8½% Series A Notes		—		20,500
9.65% Notes due 2000		35,000		—
Sundry		—		11,333
Canadian Pacific Hotels Limited				
8⅝% – 11⅜% First Mortgage Sinking Fund Bonds due 1992-1995		45,100		47,300
Sundry – due 1981-1988		5,400		6,491
Canadian Pacific Securities Limited				
Bank loan due 1983-1985		3,210		3,210
8¼% – 10½% Debentures due 1984-1993		96,050		98,750
9¼% – 9¾% Notes due 1981-1983		70,000		75,000
CanPac AgriProducts Limited				
Sundry – due 1981-1990		25,165		25,942
Cominco Ltd.				
Bank loans due 1981-1994		136,150		29,612
8½% – 10⅞% Sinking Fund Debentures due 1991-1995		106,577		114,486
Notes due 1982-1996		49,224		49,224
Subsidiaries of Cominco Ltd.		44,508		41,426
Dominion Bridge Company, Limited				
Bank loans due 1981-1988		45,877		20,682
6½% – 10¼% Debentures due 1984-1986		64,650		67,612
Other notes payable 1981-1997		92,027		47,707
Great Lakes Forest Products Limited				
8% – 11¼% Sinking Fund Bonds due 1989-1995		44,706		45,762
8¾% Debentures due 1984		19,248		19,603
Sundry – due 1981-1989		5,988		7,727

	1980	1979
Maple Leaf Mills Limited		
Bank loans due 1985-1990	**24,000**	—
5¾% – 11⅝% Sinking Fund Debentures due 1981-1998	**54,335**	—
Sundry – due 1981-1985	**3,361**	—
Marathon Realty Company Limited		
Bank loans due 1981-1993	**163,057**	94,949
6½% – 11½% Sinking Fund Bonds due 1987-1998	**76,324**	79,502
Mortgages due 1981-2009	**245,110**	232,895
Sundry – due 1981-1991	**90,122**	97,773
PanCanadian Petroleum Limited		
Bank loans due 1981-1985	**123,140**	129,355
8⅛% – 9¾% Debentures due 1983-1992	**80,500**	81,775
Other companies	**21,436**	22,398
	2,997,437	2,623,631
Less: Long term debt maturing within one year	**312,741**	198,800
	$ 2,684,696	$ 2,424,831

Collateral Trust Bonds of Canadian Pacific Limited are secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating in principal amount $573,242,000 at December 31, 1980 (1979 – $595,973,000).

Of the aggregate bank loans of $800,317,000 included above, approximately $492,394,000 bear interest at rates which fluctuate (in certain cases within defined limits) with the lender's prime commercial rate.

At December 31, 1980, foreign currency long term debt translated at current rates would be $1,499,620,000, which is $113,592,000 more than the amount at which it is carried above.

Annual maturities and sinking fund requirements for each of the five years following 1980 are:
1981 – $312,741,000; 1982 – $249,251,000;
1983 – $365,277,000; 1984 – $323,467,000;
1985 – $193,675,000.

12. Perpetual 4% Consolidated Debenture Stock

	1980				1979
	in thousands				
	Sterling	United States Currency	Canadian Currency	Total	Total
Issued	£ 46,757	$ 362,100	$ 276,142	**$ 865,791**	$ 888,522
Less: Pledged as collateral	—	297,100	276,142	**573,242**	595,973
	£ 46,757	$ 65,000	$ —	**$ 292,549**	$ 292,549

Sterling translated at Can. $4.86⅔ to the £1; U.S. dollars on the basis of one Canadian dollar equals one U.S. dollar. At December 31, 1980 translated at current rates, the net amount outstanding would be $209,204,000.

13. Minority Shareholders' Interest in Subsidiary Companies

	1980	1979
	in thousands	
PanCanadian Petroleum Limited	$ 90,888	$ 72,612
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	48,473	49,929
Floating rate preferred shares, series C	50,000	50,000
Common share equity	396,938	320,359
Steep Rock Iron Mines Limited	13,076	12,531
Great Lakes Forest Products Limited	121,151	69,160
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	56,530	59,813
Floating rate preference shares	80,000	80,000
Common share equity	320,348	260,604
Dominion Bridge Company, Limited	189,377	171,378
Canadian Pacific Enterprises Limited		
4¾% preferred shares, series A	—	694
Common share equity	722,259	461,093
Canadian Pacific Air Lines, Limited		
Floating rate preference shares, series A	50,000	50,000
Soo Line Railroad Company	101,848	91,784
Other	11,011	4,303
	$ 2,251,899	$ 1,754,260

14. Preferred Shares

The series A preferred shares are redeemable at the Company's option at $10.25 per share on or before January 1, 1984 and at $10.00 thereafter. In addition, shares may be purchased for cancellation at any time subject to certain price restrictions.

The Company is obligated to apply up to $2,000,000 in each year to the purchase of series A preferred shares, if available, at a price not exceeding $10.25 per share plus costs of purchase. The price decreases to $10.00 after January 1, 1984.

	1980		1979		1978	
	Number	Amount	Number	Amount	Number	Amount
	in thousands					
Balance, January 1	2,197	$ 21,974	2,515	$ 25,153	2,813	$ 28,127
Purchased	218	2,184	318	3,179	298	2,974
Balance, December 31	1,979	$ 19,790	2,197	$ 21,974	2,515	$ 25,153
Total cost of shares purchased		$ 1,967		$ 3,243		$ 3,104

15. Other Paid-in Surplus

	1980	1979	1978
	in thousands		
Balance, January 1	$ 150,239	$ 139,690	$ 119,930
Net additions during year	19,817	10,549	19,760
Balance, December 31	$ 170,056	$ 150,239	$ 139,690

16. Industry Segments

	1980	1979	1978
	in thousands		
Identifiable Assets			
CP Rail	**$ 2,303,363**	$ 2,065,604	$ 1,875,891
CP Trucks	**122,783**	113,242	116,859
CP Telecommunications	**155,006**	117,942	115,568
CP Air	**643,891**	508,013	360,045
CP Ships	**615,194**	541,161	524,709
Soo Line Railroad Company	**497,712**	449,431	406,097
Miscellaneous	**411,748**	442,382	508,713
Canadian Pacific Enterprises Limited			
Oil and Gas	**1,284,770**	1,080,244	985,518
Mines and Minerals	**1,737,745**	1,529,125	1,263,419
Forest Products	**722,931**	555,818	458,776
Iron and Steel	**2,249,706**	1,861,814	1,614,641
Real Estate	**948,925**	826,286	557,744
Agriproducts	**384,497**	87,967	48,911
Other Businesses	**266,309**	252,643	216,163
Financial	**1,139,683**	1,012,849	812,865
Eliminations	**(445,762)**	(442,128)	(609,988)
	$ 13,038,501	$ 11,002,393	$ 9,255,931

	1980	1979	1978
Capital Expenditures			
CP Rail	**$ 242,676**	$ 204,699	$ 178,301
CP Trucks	**14,745**	8,747	11,502
CP Telecommunications	**41,742**	19,387	14,807
CP Air	**151,790**	193,222	20,795
CP Ships	**82,982**	28,777	29,178
Soo Line Railroad Company	**55,113**	32,105	30,618
Miscellaneous	**6,913**	5,421	1,479
Canadian Pacific Enterprises Limited			
Oil and Gas	**269,806**	213,827	339,781
Mines and Minerals	**341,625**	170,843	101,889
Forest Products	**63,684**	115,915	20,064
Iron and Steel	**140,961**	104,474	59,905
Real Estate	**137,072**	98,652	116,162
Agriproducts	**12,622**	4,810	4,007
Other Businesses	**23,145**	18,686	19,228
Financial	**157**	301	17
	$ 1,585,033	$ 1,219,866	$ 947,733

17. Geographic Segments	1980	1979	1978
		in thousands	
Canada			
Revenues			
Domestic	$ 5,270,947	$ 4,360,549	$ 3,746,737
Export – U.S.	1,129,909	949,697	719,850
– Other	517,779	335,935	268,989
International transportation revenues	812,130	660,974	572,330
Inter-area transfers	234,696	156,594	149,478
	7,965,461	6,463,749	5,457,384
Inter-company revenues	(347,532)	(341,744)	(317,834)
Total revenues	7,617,929	6,122,005	5,139,550
Net income before income taxes and minority interest	1,245,821	1,121,615	725,594
Net income	457,480	427,418	323,604
Identifiable assets	10,410,018	8,930,910	7,755,558
United States			
Revenues	1,974,393	1,694,700	1,344,885
Inter-area transfers	231,435	194,738	123,098
Total revenues	2,205,828	1,889,438	1,467,983
Net income before income taxes and minority interest	192,456	144,631	121,648
Net income	62,646	41,723	33,499
Identifiable assets	1,960,211	1,550,786	1,300,389
Other Countries			
Revenues	288,145	262,023	212,513
Inter-area transfers	13,548	19,750	18,725
Total revenues	301,693	281,773	231,238
Net income before income taxes and minority interest	49,178	49,955	23,072
Net income	10,671	12,681	1,337
Identifiable assets	498,840	421,664	285,263
International – Seagoing			
Revenues	338,775	255,645	177,070
Net income before income taxes	53,799	29,966	(9,635)
Net income	52,360	26,320	(8,654)
Identifiable assets	615,194	541,161	524,709
Summary			
Revenues	10,464,225	8,548,861	7,015,841
Inter-area transfers	(479,679)	(371,082)	(291,301)
Total revenues	9,984,546	8,177,779	6,724,540
Net income	583,157	508,142	349,786
Identifiable assets	13,484,263	11,444,521	9,865,919
Eliminations	(445,762)	(442,128)	(609,988)
	$ 13,038,501	$ 11,002,393	$ 9,255,931

18. Pensions

At December 31, 1980, there were unfunded liabilities, determined by actuarial evaluations, of $663,500,000 which is being funded by series of equal annual payments ending from 1981 to 2004, and $224,500,000 which is being funded by equal annual payments to 2027.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $187,000,000 in 1980 (1979 – $180,000,000; 1978 – $157,000,000).

19. Commitments

At December 31, 1980 commitments for capital expenditures amounted to $1,558,000,000 and minimum payments under operating leases were estimated at $721,000,000 in the aggregate, with annual payments in each of the five years following 1980 of:

1981 – $84,000,000; 1982 – $73,000,000;
1983 – $63,000,000; 1984 – $52,000,000;
1985 – $46,000,000.

At December 31, 1980, unused commitments for long term financing amounted to $1,920,000,000 at interest rates varying from 8½% to 9¼% on $389,000,000 and from prime to prime plus 1¼% on $1,531,000,000 with commitment fees on $1,040,000,000 ranging from ¼% to 1%.

Unused lines of credit for short term financing, subject to customary right of review at any time, repayable on demand and at various maturities up to 365 days, with interest averaging 18.7% amounted to $995,000,000 including $755,000,000 on which interest varies with prime.

20. Contingencies

The Company is a defendant in two suits by certain minority shareholders of Ontario and Quebec Railway Company, the railway of which the Company operates under a perpetual lease, claiming alleged misuse of the assets and also entitlement to the proceeds from the sale of Ontario and Quebec Railway Company's surplus lands and, in the alternative, substantial damages. The trial of these actions was concluded in December 1977 and the plaintiffs' actions succeeded in part. The Company has appealed the judgment but is of the opinion that even if upheld on appeal the judgment will not have a materially adverse effect on the financial condition of the Company. The plaintiffs have cross-appealed. On January 13, 1981, a representative of the holders of the consolidated debenture stock of the Ontario and Quebec Railway Company was granted leave to intervene in these appeals which have not yet been heard.

21. Acquisitions

On December 15, 1980, a U.S. subsidiary of Enterprises made an offer to acquire not less than 52% of the outstanding common shares of Hobart Corporation of Ohio at a price of U.S. $32.50 per share. If all the outstanding shares were tendered, the total cost would be approximately U.S. $380,000,000, $100,000,000 of which would be provided out of available cash on hand and the balance by bank borrowings. A competing offer has since been made at a price of U.S. $40 per share. The Enterprises' subsidiary announced that it would not match nor exceed the other offer but would keep its offer open.

In July 1980, a subsidiary of Enterprises acquired all the common stock of Norin Corp. Norin's principal operating entity is Maple Leaf Mills Limited, which is engaged in the processing, distribution and marketing of a variety of food and agricultural products in Canada. In the same month, Pacific Forest Products (formerly Pacific Logging) acquired Victoria Plywood Ltd. The acquisition was accomplished by an exchange of common shares of Enterprises for all the common shares of Victoria Plywood. In September 1980, Dominion Bridge, directly and through its U.S. subsidiary, AMCA International, acquired Koehring Company, an international manufacturer of specialized equipment and machinery for the construction and natural resource industries. In October 1980, Cominco purchased a block of shares of Bethlehem Copper Corporation which raised its 39.2% equity interest to 64.4%.

These acquisitions were accounted for as purchases and consolidated from the dates of acquisition. They have no material effect upon the consolidated financial position or consolidated net income of the Company. In addition, if they had been consolidated as of January 1, 1979, the acquisitions would have had no material effect.

Following is a summary of the assets acquired and the consideration given:

	Norin Corp.	Victoria Plywood	Koehring	Bethlehem Copper
	in thousands			
Net assets acquired at values assigned thereto:				
Assets	$ 289,764	$ 20,213	$ 441,324	$ 154,884
Liabilities	168,195	2,213	280,054	52,558
	$ 121,569	$ 18,000	$ 161,270	$ 102,326
Consideration given:				
Cominco's investment at December 31, 1979	$ —	$ —	$ —	$ 41,313
Acquired for cash (Victoria Plywood, for shares) in 1980	121,569	18,000	161,270	61,013
	$ 121,569	$ 18,000	$ 161,270	$ 102,326

During 1979, the following companies or their operations were acquired by the Enterprises group of companies: Canadian Freehold Properties Ltd. was acquired for $66,173,000, the operations of Processed Minerals Incorporated for $30,601,000 and Corenco Corporation for $15,583,000. The purchase consideration in each case was cash, which approximated the values assigned to the net assets acquired. In January 1978 Enterprises acquired for cash additional shares of Dominion Bridge Company, Limited at a cost of $2,309,000 giving Enterprises a direct holding of 6.91% at a cost of $15,904,000, which, together with Algoma Steel's holding of 43.22% at that date, brought the total holding to 50.13% for a total investment of $98,281,000. Prior to the purchase of the additional shares, the investment in Dominion Bridge had been accounted for on an equity basis. Syracuse China Corporation was also acquired in 1978 for a cash consideration of $22,058,000. The fair value of the net assets acquired in 1978 amounted to $216,955,000 including goodwill of $67,602,000 and interest of outside shareholders of $96,616,000. All these acquisitions were accounted for as purchases and consolidated from the dates of acquisition, and they had no material effect upon the consolidated financial position or consolidated net income of the Company.

22. Restatements

The basis of allocation of fixed charges between rail and miscellaneous income was changed from that used previously in order to better reflect the use of capital by the respective activities.

Certain of Enterprises' classes of business have been revised. Steep Rock Iron Mines Limited has been transferred from Iron and Steel to Mines and Minerals. A new class of business, Agriproducts, has been introduced, which comprises Maple Leaf Mills Limited, Rothsay Concentrates Co. Limited, and the United States based CanPac AgriProducts Limited group consisting of Baker Commodities, Inc., Corenco Corporation and Theresa Friedman & Sons, Inc. Other Businesses includes Syracuse China Corporation and Processed Minerals Incorporated as well as Canadian Pacific Hotels Limited. The caption, Financial, encompasses the corporate operations of Enterprises as well as Canadian Pacific Securities Limited, Chateau Insurance Company, Canadian Pacific Enterprises (International) B.V., Canadian Pacific Enterprises (U.S.) Inc. and Canellus Finance N.V.

Prior years' figures have been restated to conform with the presentation adopted for 1980.

23. Supplementary Data

The discussion of Canadian and United States Accounting Principles and the tables relating to Oil and Gas Production, Exploration and Development included in Supplementary Data are an integral part of these financial statements.

24. Subsequent Events

In February 1981, Cominco Ltd. purchased additional shares of Bethlehem Copper Corporation for $74,000,000, increasing its holding to 93.3%.

Cominco Ltd. announced in February 1981 that its directors have approved in principle an offering to its common shareholders of rights to subscribe for common shares expected to raise about $100,000,000. Enterprises will subscribe fully to its rights and will purchase all shares not subscribed for by others.

Five-Year Summary

	1980	1979	1978	1977	1976
	Figures in thousands, except amounts per share				
Revenues	**$ 9,984,546**	$ 8,177,779	$ 6,724,540	$ 4,899,048	$ 4,047,225
Net income from:					
CP Rail	**121,595**	108,737	75,945	65,189	60,635
CP Trucks	**(1,527)**	(1,861)	2,158	1,183	2,099
CP Telecommunications	**4,955**	6,005	2,979	2,602	2,010
CP Air	**2,853**	13,120	19,998	3,340	(9,802)
CP Ships	**52,360**	26,320	(8,654)	(10,730)	3,321
Soo Line Railroad Company	**23,076**	17,799	14,815	11,151	8,889
Miscellaneous	**16,898**	3,527	8,011	(2,875)	5,517
Canadian Pacific Enterprises Limited	**362,947**	334,495	234,534	170,002	117,801
Income before extraordinary item	**583,157**	508,142	349,786	239,862	190,470
Extraordinary item	**—**	—	—	7,166	—
Net income	**$ 583,157**	$ 508,142	$ 349,786	$ 247,028	$ 190,470
Total assets	**$ 13,038,501**	$ 11,002,393	$ 9,255,931	$ 7,631,385	$ 7,064,295
Total long term debt	**$ 2,997,437**	$ 2,623,631	$ 2,454,214	$ 2,045,437	$ 1,948,885
Perpetual 4% Consolidated Debenture Stock	**292,549**	292,549	292,549	292,549	292,549
Minority shareholders' interest in subsidiary companies	**2,251,899**	1,754,260	1,310,844	1,021,315	854,565
Shareholders' equity	**3,523,186**	2,987,948	2,586,699	2,301,615	2,123,611
Total capitalization	**$ 9,065,071**	$ 7,658,388	$ 6,644,306	$ 5,660,916	$ 5,219,610
Per Ordinary share					
Income before extraordinary item	**$ 8.11**	$ 7.06	$ 4.85	$ 3.31	$ 2.62
Net income	**8.11**	7.06	4.85	3.41	2.62
Dividends for the year, paid semi-annually	**1.85**	1.70	1.10	0.95	0.86
Number of Ordinary shares	**71,662,280**	71,662,280	71,662,280	71,662,280	71,662,280

The following data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States.

Canadian and United States Accounting Principles

The consolidated financial statements of CP Limited have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Company's United States shareholders, the major differences are described below and their effect on the Company's net income is summarized, their effect on the balance sheet not being significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Company in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the full cost pool be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

CP Limited follows the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, whereas United States GAAP requires such debt to be translated at current rates.

	1980	1979	1978
		in thousands	
Net income – Canadian GAAP	$ 583,157	$ 508,142	$ 349,786
Increased or (decreased) by:			
Oil and Gas	(3,620)	(7,162)	(12,107)
Real Estate	(1,847)	(2,149)	659
Foreign exchange	(1,132)	23,312	(52,480)
	(6,599)	14,001	(63,928)
Net income – United States GAAP	$ 576,558	$ 522,143	$ 285,858
Earnings per Ordinary Share:			
Canadian GAAP	$ 8.11	$ 7.06	$ 4.85
United States GAAP	8.02	7.26	3.96

Oil and Gas Production, Exploration and Development

Revenues (net after royalties and lifting costs)	**1980**	1979	1978
		in thousands	
Oil	**$ 158,031**	$ 135,784	$ 106,613
Natural gas	**212,105**	150,596	130,921
Natural gas liquids	**13,605**	10,495	8,754
Sulphur	**6,946**	2,309	1,298
	$ 390,687	$ 299,184	$ 247,586

Approximately 3% (1979 and 1978 – 1%) of oil and gas revenues were produced in the United States.

Capitalized Costs

Country	Petroleum and Natural Gas Properties	Accumulated Depletion	Plant Production and Other Equipment	Accumulated Depreciation	Net Total
			in thousands		
1980					
Canada	$ 865,468	$ (207,535)	$ 391,927	$ (101,158)	$ 948,702
United States	160,769	(30,972)	5,619	(1,147)	134,269
Other	40,335	(12,570)	287	(160)	27,892
	$ 1,066,572	$ (251,077)	$ 397,833	$ (102,465)	$ 1,110,863
1979					
Canada	$ 678,243	$ (176,404)	$ 349,087	$ (80,587)	$ 770,339
United States	134,939	(24,286)	3,951	(782)	113,822
Other	34,055	(11,139)	287	(149)	23,054
	$ 847,237	$ (211,829)	$ 353,325	$ (81,518)	$ 907,215

Consolidated depletion was allocated yearly on a prorated basis applying the ratio of current year area of interest expenditures to total consolidated expenditures during the year.

Costs Incurred in Producing Activities

Country		Property Acquisition		Exploration		Development		Lifting Costs		Depreciation, Depletion and Amortization
						in thousands				
1980										
Canada	$	23,085	$	106,339	$	74,670	$	47,942	$	48,974
United States		11,961		10,167		3,428		1,526		15,722
Other		3,507		2,639		—		—		(6,901)
	$	38,553	$	119,145	$	78,098	$	49,468	$	57,795
1979										
Canada	$	33,561	$	66,925	$	40,467	$	39,491	$	40,564
United States		16,223		14,648		1,977		1,192		9,749
Other		4		3,288		—		—		(619)
	$	49,788	$	84,861	$	42,444	$	40,683	$	49,694
1978										
Canada	$	28,140	$	48,096	$	41,727	$	33,817	$	30,852
United States		14,008		23,391		1,556		821		10,071
Other		3		2,792		—		—		(1,499)
	$	42,151	$	74,279	$	43,283	$	34,638	$	39,424

Reserve Recognition Accounting Data (Unaudited)

The following information was prepared in accordance with Securities and Exchange Commission regulations providing for presentation of a summary statement of oil and gas producing activities on the basis of reserve recognition accounting and has been included in accordance with the requirements of that Commission. Reserve recognition accounting statements are not prepared in accordance with generally accepted accounting principles in Canada or the United States and thus are not prepared on the same basis as the financial statements or notes to consolidated financial statements. Inclusion of reserve recognition accounting information is not intended to express an opinion that oil and gas prices or production and development costs will remain constant or will change at the same rates or that existing economic conditions will continue, all of which are assumed in preparing such statements. Their inclusion should not be interpreted to indicate the belief that valid inferences as to probable future net revenues or pre-tax earnings can be derived therefrom.

Under the reserve recognition accounting method, proved reserves of oil and gas are recorded as "assets" upon discovery. The valuation of these assets is based on the present value of future net revenues to be derived from producing the reserves. Current year additions to proved reserves, and revisions to the valuation of the reserves are reflected in the reserve recognition accounting "income statement" along with all costs associated with finding, developing and producing new reserves.

Reserve Recognition Accounting Data (Unaudited) — (continued)

For the purposes of reserve recognition accounting valuation, PanCanadian has used proved reserve estimates as determined by McDaniel Consultants (1965) Ltd.

PanCanadian Petroleum's estimated future net revenues from proved oil and gas reserves for 1981 through 1983 and all remaining years based on estimated reserves at December 31, 1980 and the present value of estimated reserves at December 31, 1980 and 1979 are set forth below:

	1981	1982	1983	All Remaining Years	Total
			in thousands		
Estimated future net revenues from proved reserves (not discounted)	$ 364,478	$ 325,122	$ 343,538	$ 4,620,355	$ 5,653,493

Estimated future net revenues from proved reserves were obtained by multiplying year-end prices by estimated future production for the periods indicated, and deducting constant dollar year-end estimates of production costs, royalties and allowances for the cost of drilling additional wells.

The present value of estimated future net revenues from proved reserves discounted at 10% was $2,627,506,000 (1979 – $1,936,500,000).

The following table is a summary of oil and gas producing activities in 1980 and 1979 on the basis of reserve recognition accounting.

	1980	1979
	in thousands	
Present value of gross additions to proved reserves	**$ 63,158**	$ 98,725
Revisions to estimates of reserves proved in prior periods:		
Changes in price	**721,161**	533,598
Changes in operating expense forecasts for proved reserves	**41,885**	(249,264)
Changes in production timing and engineering review of proved reserve quantities	**(7,718)**	157,571
Accretion of discount	**193,650**	151,797
	1,012,136	692,427
Acquisition, exploration, development and production costs:		
Costs incurred, including impairments	**157,698**	134,649
Present value of estimated future development and production costs	**8,541**	17,147
	166,239	151,796
Additions and revisions to proved reserves over related costs*	**845,897**	540,631
Provision for income taxes (at historical effective rate)	**284,136**	172,948
Results of oil and gas producing activities on the basis of reserve recognition accounting	**$ 561,761**	$ 367,683

*The corresponding pre-tax profit contribution reported in the historical financial statement is $333,652,000 (1979 – $249,490,000).

The following table summarizes the changes in the present value of estimated future net revenues from proved reserves during 1980 and 1979. All amounts included in this table are prior to income taxes.

	1980	1979
	in thousands	
Balance, January 1	$ 1,936,500	$ 1,517,960
Additions and revisions less related estimated future development and production costs of $8,541,000 (1979 – $17,147,000)	1,003,595	675,280
Expenditures that reduced estimated future development costs	78,098	42,444
	1,081,693	717,724
Less: Sales and transfers of oil and gas, net of production costs and mineral reserve taxes of $49,468,000 (1979 – $40,683,000)	390,687	299,184
	691,006	418,540
Balance, December 31	$ 2,627,506	$ 1,936,500

Oil and Gas Reserves (Unaudited)

A report dated February 6, 1981 has been prepared by McDaniel Consultants (1965) Ltd., Calgary, Alberta, independent oil and gas reserve evaluators, estimating PanCanadian's net share of remaining proved crude oil, natural gas and natural gas liquids reserves in Canada. Net reserves shown by the report are included in the table which follows. Also included is PanCanadian's net share of remaining proved crude oil, natural gas liquids and natural gas reserves in the United States, as estimated by PanCanadian's engineers. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest or a royalty interest, less all royalties and interests owned by others.

	Oil (including natural gas liquids) thousands of barrels			Natural Gas MMcf		
Net proved reserves:	Canada	United States	Total	Canada	United States	Total
December 31, 1980	95,922	996	96,918	2,205,046	24,073	2,229,119
December 31, 1979	104,564	787	105,351	2,054,531	15,143	2,069,674

Oil and Gas Reserves (Unaudited) — (continued)

Changes in net proved reserves of oil (including natural gas liquids) and natural gas during the years ended December 31, 1980 and 1979 were as follows:

	Oil (including natural gas liquids)	Natural Gas
	thousands of barrels	MMcf
Net reserves – December 31, 1978	112,579	1,899,575
Revisions of previous estimates	4,180	135,848
Extension, discovery and other additions	1,908	140,048
1979 Production	(13,316)	(105,797)
Net reserves – December 31, 1979	105,351	2,069,674
Revisions of previous estimates	4,222	193,478
Extension, discovery and other additions	387	68,942
1980 Production	(13,042)	(102,975)
Net reserves – December 31, 1980	96,918	2,229,119

Proved reserves are considered to be those reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

At December 31, 1980, PanCanadian had estimated proved reserves, before royalty, of 43,827,000 barrels of crude oil attributable to the Syncrude Project which are not included in the above table.

Taxation of Non-Resident Security Holders

Under present Canadian tax law and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of Canadian Pacific Limited (other than tax exempt organizations) are subject to a Canadian withholding tax of 10%. Generally, capital gains on the disposition by non-residents of securities issued by Canadian Pacific Limited are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business. The application of Canadian withholding tax on interest paid to non-resident holders (other than tax exempt organizations) of Canadian Pacific Limited debt securities is dependent upon the date of issuance and terms thereof.

Quarterly Financial Information (Unaudited) 1980

For the three months ended	March 31	June 30	September 30	December 31
		in thousands		
CP Rail				
Revenues	$ 422,487	$ 443,121	$ 442,232	$ 465,753
Expenses including income taxes	398,391	417,182	406,052	430,373
Net income	24,096	25,939	36,180	35,380
CP Trucks				
Revenues	56,899	58,622	60,092	67,627
Expenses including income taxes	58,460	59,188	59,836	67,283
Net income	(1,561)	(566)	256	344
CP Telecommunications				
Revenues	30,888	30,213	30,801	31,154
Expenses including income taxes	29,846	28,912	29,523	29,820
Net income	1,042	1,301	1,278	1,334
CP Air				
Revenues	137,903	164,950	233,856	161,542
Expenses including income taxes	145,542	163,135	213,191	169,544
	(7,639)	1,815	20,665	(8,002)
Preference dividend	1,041	1,104	924	917
Net income	(8,680)	711	19,741	(8,919)
CP Ships				
Revenues	73,373	82,727	77,305	105,370
Expenses including income taxes	63,956	69,999	67,652	84,808
Net income	9,417	12,728	9,653	20,562
Soo Line Railroad Company				
Revenues	96,441	87,392	94,173	102,061
Expenses including income taxes	82,846	83,834	83,483	88,468
	13,595	3,558	10,690	13,593
Minority interest	6,024	1,576	4,737	6,023
Net income	7,571	1,982	5,953	7,570
Miscellaneous				
Net income	752	6,751	1,515	7,880
Canadian Pacific Enterprises Limited				
Revenues	1,451,851	1,519,140	1,623,734	2,064,525
Expenses including income taxes	1,246,029	1,352,914	1,463,612	1,856,170
	205,822	166,226	160,122	208,355
Minority interest	102,522	81,827	79,908	113,321
Net income	103,300	84,399	80,214	95,034
Net Income	$ 135,937	$ 133,245	$ 154,790	$ 159,185
Earnings per Ordinary Share	$ 1.89	$ 1.85	$ 2.15	$ 2.22

Quarterly Financial Information (Unaudited) 1979

For the three months ended	March 31	June 30	September 30	December 31
		in thousands		
CP Rail				
Revenues	$ 373,208	$ 404,094	$ 397,169	$ 444,560
Expenses including income taxes	351,348	373,621	369,307	416,018
Net income	21,860	30,473	27,862	28,542
CP Trucks				
Revenues	56,268	55,755	43,232	56,470
Expenses including income taxes	56,745	55,360	44,714	56,767
Net income	(477)	395	(1,482)	(297)
CP Telecommunications				
Revenues	22,781	24,391	25,046	25,997
Expenses including income taxes	21,971	22,990	23,281	23,968
Net income	810	1,401	1,765	2,029
CP Air				
Revenues	113,537	131,298	174,920	135,662
Expenses including income taxes	115,174	126,200	157,648	140,061
	(1,637)	5,098	17,272	(4,399)
Preference dividend	502	849	880	983
Net income	(2,139)	4,249	16,392	(5,382)
CP Ships				
Revenues	52,000	55,703	65,252	82,690
Expenses including income taxes	49,076	50,599	54,862	74,788
Net income	2,924	5,104	10,390	7,902
Soo Line Railroad Company				
Revenues	72,480	82,888	89,989	104,337
Expenses including income taxes	69,948	76,302	80,972	90,512
	2,532	6,586	9,017	13,825
Minority interest	1,122	2,918	3,996	6,125
Net income	1,410	3,668	5,021	7,700
Miscellaneous				
Net income	3,301	(762)	(86)	1,074
Canadian Pacific Enterprises Limited				
Revenues	1,172,334	1,340,664	1,226,900	1,557,997
Expenses including income taxes	1,041,840	1,172,208	1,067,249	1,343,722
	130,494	168,456	159,651	214,275
Minority interest	61,342	83,531	77,759	115,749
Net income	69,152	84,925	81,892	98,526
Net Income	$ 96,841	$ 129,453	$ 141,754	$ 140,094
Earnings per Ordinary Share	$ 1.34	$ 1.80	$ 1.97	$ 1.95

Quarterly Financial Information (Unaudited) 1980

Canadian Pacific Enterprises Limited – Net Income

For the three months ended	March 31	June 30	September 30	December 31
	in thousands			
Oil and Gas				
Gross operating revenue	$ 143,839	$ 141,299	$ 131,148	$ 158,401
Expenses including income taxes	84,317	81,009	72,113	95,881
	59,522	60,290	59,035	62,520
Interest of outside shareholders	7,690	7,790	7,627	8,078
Net income	51,832	52,500	51,408	54,442
Mines and Minerals				
Gross operating revenue	397,889	432,823	405,635	462,133
Expenses including income taxes	332,399	392,108	367,789	409,992
	65,490	40,715	37,846	52,141
Interest of outside shareholders	31,995	19,818	19,649	26,092
Net income	33,495	20,897	18,197	26,049
Forest Products				
Sales and operating revenue	167,005	169,294	171,771	166,844
Expenses including income taxes	144,181	148,848	151,350	148,932
	22,824	20,446	20,421	17,912
Interest of outside shareholders	9,188	8,759	9,476	8,611
Net income	13,636	11,687	10,945	9,301
Iron and Steel				
Sales and operating revenue	528,766	557,444	495,543	800,457
Expenses including income taxes	494,496	525,660	473,136	743,981
	34,270	31,784	22,407	56,476
Interest of outside shareholders	20,635	17,433	14,117	31,546
Net income	13,635	14,351	8,290	24,930
Real Estate				
Gross rentals and other income	49,937	46,284	41,013	56,754
Expenses including income taxes	44,715	41,318	37,029	49,747
	5,222	4,966	3,984	7,007
Interest of outside shareholders	45	49	53	41
Net income	5,177	4,917	3,931	6,966
Agriproducts				
Gross operating revenue	62,792	66,243	268,087	318,465
Expenses including income taxes	62,721	65,668	263,210	313,738
	71	575	4,877	4,727
Interest of outside shareholders	—	—	241	335
Net income	71	575	4,636	4,392
Other Businesses				
Gross operating revenue	63,886	76,565	87,061	74,854
Expenses including income taxes	63,527	74,011	79,946	73,080
Net income	359	2,554	7,115	1,774

Quarterly Financial Information (Unaudited) 1980

Canadian Pacific Enterprises Limited – Net Income (continued)

For the three months ended	March 31	June 30	September 30	December 31
		in thousands		
Financial				
Gross operating revenue	43,504	34,972	29,720	34,065
Expenses including income taxes	25,440	30,076	25,283	28,267
Net income	18,064	4,896	4,437	5,798
Canadian Pacific Enterprises Limited – Net income	136,269	112,377	108,959	133,652
Minority interest	32,969	27,978	28,745	38,618
Net Income	$ 103,300	$ 84,399	$ 80,214	$ 95,034

Canadian Pacific Enterprises Limited – Net Income 1979

For the three months ended	March 31	June 30	September 30	December 31
		in thousands		
Oil and Gas				
Gross operating revenue	$ 100,709	$ 96,094	$ 98,206	$ 128,896
Expenses including income taxes	60,123	57,700	63,288	76,964
	40,586	38,394	34,918	51,932
Interest of outside shareholders	5,236	4,968	4,512	6,709
Net income	35,350	33,426	30,406	45,223
Mines and Minerals				
Gross operating revenue	340,006	429,325	329,001	433,945
Expenses including income taxes	294,315	359,645	275,331	346,616
	45,691	69,680	53,670	87,329
Interest of outside shareholders	23,104	35,300	24,820	43,434
Net income	22,587	34,380	28,850	43,895
Forest Products				
Sales and operating revenue	106,436	116,681	126,047	121,274
Expenses including income taxes	93,563	100,948	104,074	101,301
	12,873	15,733	21,973	19,973
Interest of outside shareholders	3,772	5,227	6,511	7,365
Net income	9,101	10,506	15,462	12,608
Iron and Steel				
Sales and operating revenue	472,787	543,260	489,055	680,214
Expenses including income taxes	448,035	507,637	453,743	634,264
	24,752	35,623	35,312	45,950
Interest of outside shareholders	14,380	19,809	20,470	26,755
Net income	10,372	15,814	14,842	19,195
Real Estate				
Gross rentals and other income	34,040	29,523	33,846	33,086
Expenses including income taxes	26,757	25,681	27,437	31,204
	7,283	3,842	6,409	1,882
Interest of outside shareholders	40	44	51	40
Net income	7,243	3,798	6,358	1,842

Agriproducts				
Gross operating revenue	65,346	60,285	64,279	64,946
Expenses including income taxes	64,233	59,301	62,560	63,870
Net income	1,113	984	1,719	1,076
Other Businesses				
Gross operating revenue	53,595	62,976	77,051	68,526
Expenses including income taxes	55,766	60,816	73,181	68,339
Net income	(2,171)	2,160	3,870	187
Financial				
Gross operating revenue	18,648	21,158	24,266	31,745
Expenses including income taxes	18,281	19,118	22,486	25,799
Net income	367	2,040	1,780	5,946
Canadian Pacific Enterprises Limited – Net income	83,962	103,108	103,287	129,972
Minority interest	14,810	18,183	21,395	31,446
Net Income	$ 69,152	$ 84,925	$ 81,892	$ 98,526

Geographic Distribution of Net Property Investment

at December 31, 1980

	Properties, at Cost less Depreciation (in millions)	Percent of Total
Canada		
Atlantic Provinces	$ **94**	1%
Quebec	**392**	5
Ontario	**1,715**	22
Manitoba	**171**	2
Saskatchewan	**260**	3
Alberta	**1,318**	17
British Columbia	**1,179**	15
N.W.T., Yukon & Offshore	**185**	2
Transportation Equipment	**1,062**	13
	6,376	80
Outside Canada		
United States	**1,060**	13
Other	**120**	1
Ocean Ships	**447**	6
	1,627	20
Total	$ **8,003**	100%

Ordinary Share Market Prices

	Toronto Stock Exchange				New York Stock Exchange			
	1980		1979		**1980**		1979	
	High	Low	High	Low	High	Low	High	Low
	(Canadian dollars)				(U.S. dollars)			
First Quarter	**50½**	**34½**	28⅜	23¾	**43¾**	**28½**	24⅜	19¾
Second Quarter	**42⅞**	**35⅛**	34¾	27	**37⅜**	**29¾**	29¾	23⅜
Third Quarter	**52⅜**	**38½**	39⅞	30⅝	**45**	**33½**	34⅜	26½
Fourth Quarter	**52⅝**	**43**	40¼	31¼	**45**	**36**	34½	26⅜
Year	**52⅝**	**34½**	40¼	23¾	**45**	**28½**	34½	19¾

Stock Transfer Agents

The Royal Trust Company,
1660 Hollis Street,
Halifax, N.S. B3J 1V7;

Brunswick House,
1 King Street,
Saint John, N.B. E2L 1G1;

630 Dorchester Boulevard West,
Montreal, P.Q. H3B 1S6;

Royal Trust Tower,
Toronto-Dominion Centre,
Toronto, Ontario M5W 1P9;

330 St. Mary Avenue,
Winnipeg, Manitoba R3C 3Z5;

1862 Hamilton Street,
Regina, Saskatchewan S4P 2B8;

700 The Dome Tower,
Toronto-Dominion Square,
333 – 7th Avenue S.W.,
Calgary, Alberta T2P 2Z1;

Royal Trust Tower,
Bentall Centre,
555 Burrard Street,
Vancouver, B.C. V7X 1K2.

Bank of Montreal Trust Company,
2 Wall Street,
New York, N.Y. 10005.

Deputy Secretary,
Canadian Pacific Limited,
50 Finsbury Square,
London, England EC2A 1DD.

Stock Listings

Debenture Stock (Sterling) listed on:
London, Eng. Stock Exchange

Debenture Stock (U.S. Currency)
listed on: New York Stock Exchange

Preference Stock (Sterling) listed on:
Montreal, Toronto, Vancouver and
London, Eng. Stock Exchanges

Preference Stock (Canadian Dollar)
listed on: Montreal, Toronto,
Vancouver and London, Eng.
Stock Exchanges

Preferred Shares, Series A listed on:
Montreal, Toronto, Vancouver and
London, Eng. Stock Exchanges

Ordinary Stock listed on:
Montreal, Toronto, Vancouver,
New York and London, Eng.
Stock Exchanges

Shareholders having inquiries or wishing to obtain a copy of the Company's Form 10K filed with the Securities and Exchange Commission should write to:

J. C. Ames,
Vice-President and Secretary,
Canadian Pacific Limited,
P.O. Box 6042, Station A,
Montreal, Canada H3C 3E4.

Stock Holdings

The number of registered holdings of the voting capital stock of the Company at December 31, 1980 was 62,405.

The distribution by countries of total voting rights of the Ordinary and Preference Stock at that date was as follows:

Canada	64.49%
United States	24.36
United Kingdom	4.95
Other Countries	6.20
	100.00%

Copies of the following 1980 annual reports can be obtained by writing to:

Canadian Pacific Enterprises Limited
Secretary
Canadian Pacific Enterprises Limited
Suite 1900
Place du Canada
Montreal, Quebec H3B 2N2

Canadian Pacific Air Lines, Limited
Secretary
Canadian Pacific Air Lines, Limited
Vancouver International Airport
One Grant McConachie Way
Vancouver, B.C. V7B 1V1

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